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WORLD NEWS

Soviet Union recognises independence of Baltics

Half a century of annexation ended yesterday for Latvia, Lithuania and Estonia when Soviet foreign minister Boris Pankin recognised the Baltic states' independence.

The declaration came as Russia's parliament gave permission for Leningrad to revert to its pre-revolutionary name of St Petersburg. Page 22; Soviet news, Page 2

Israeli loan hitch
President George Bush asked Congress to delay considering Israel's request for $10bn (£5.9bn) in loan guarantees for 120 days, saying it could jeopardise Middle East peace talks prospects. Page 2

Nato submarine scare
A Dutch submarine sparked an air and sea search off Scotland when it failed to make contact during a Nato exercise. The submarine, which had not received a signal to report in, later surfaced safely.

German politician quits
Lothar de Maizière, who steered East Germany to unification, quit as deputy chairman of Chancellor Helmut Kohl's governing Christian Democrats after clashing with west German CDU leaders about the state of the party in east Germany. Page 3

Congo train crash
More than 50 people were reported killed in Congo when a passenger train and a goods train crashed head-on near the Atlantic oil port of Pointe Noire.

UN ceasefire
A United Nations peace force started monitoring a ceasefire in the Western Sahara, where Polisario guerrillas have been fighting Morocco since 1975 for the region's independence.

Unisys pleads guilty
Unisys, the troubled US computer and defence electronics giant, admitted its part in a Pentagon procurement scandal and agreed to pay up to $190m (£112.4m) in fines and penalties. The company had tried to obtain confidential bid information sent to the Pentagon by competitors. Page 3

Chemical arms pact
Argentina, Brazil and Chile have agreed to ban production or use of chemical and biological weapons.

Rebels offer truce
Communist rebels in the Philippines promised an immediate ceasefire if the country's Senate opposed an agreement letting the US continue using its Subic Bay naval base. Washington insists it will not renegotiate the deal.

Defector's reunion
The wife and two daughters of Oleg Gordievsky flew to London from Moscow to be reunited with the former KGB bureau chief, who defected to Britain six years ago.

Police question couple
Police in south east Spain questioned a British bar owner and his Spanish wife about last weekend's disappearance of an English nurse from her holiday flat in Aguadulce.

Oxford outpost
Oxford University is setting up an overseas outpost enabling Japanese students to get an Oxford education without leaving their own country. St Catherine's College Kobe Institute will open on September 24.

BUSINESS SUMMARY

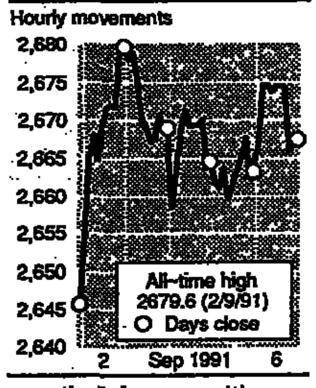
BAe plans to raise up to £500m in rights issue

British Aerospace, the aerospace and car manufacturer, plans to raise up to £500m by selling new shares in a rights issue.

The share sale is planned for Wednesday, when the group announces its first-half results, unless there is a sharp change in stock market conditions. Page 22

UK EQUITIES ended the week firmly after the latest Gallup poll gave the ruling Conservative party a lead of 4.5 points over the Labour opposition. The FT-SE 100 index closed at 2,667.4, a gain of 4.1 points on the day and 21.7 on the week. London stocks, Page 13; Lex, Page 22; Living in hope, Page 6; London markets, Weekend Page II; Brokers try to improve their image, Weekend Page IV

FT-SE 100 Index



UNICHEM: The UK pharmaceuticals wholesaler's £75m takeover bid for Macarthy, which owns 175 UK chemists' shops, has been referred to the Monopolies and Mergers Commission. Page 22; Lex, Page 22

SALOMON BROTHERS, US investment bank which was the global co-ordinator for the May flotation of Mirror Group Newspapers, Robert Maxwell's UK newspaper group, said it lost up to £5m through trading MGN shares. Page 22; From Salomon Brothers to the EBRD, Page 2

ROYAL INSURANCE Group, UK life insurer is to cut 600 jobs in its Royal Life subsidiary, about 15 per cent of the workforce, as part of a restructuring. Page 5

HONG KONG: Francis Yuen, chief executive of the colony's stock exchange, will step down next month to become chief executive of Hang Chong Investment, the trading and agency group being taken over by a consortium led by Citic Pacific. Page 10; Hong Kong collects its thoughts, Page 19

US employment rate was unchanged at 6.8 per cent last month, boosting hopes that a US economic recovery is under way. Page 3

JAPANESE BUSINESS confidence fell last month to the lowest level in 3½ years, says the Bank of Japan's quarterly economic survey. Page 2; Japanese golf course developer hits the rough, Page 2; Nippon Steel warning, Page 10

NICHOLAS GRIMSHAW & Partners, the British firm of architects, has won an international competition to design a stock exchange and communications complex in Berlin, the proposed capital of Germany. Page 5

GIORGIO ARMANI, the Italian designer best known for his high-fashion clothing lines, expects sales this year to fall by about 5 per cent to L730bn (£333.50m). Page 10

MARKETS

STERLING	**DOLLAR**	**STOCK INDICES**
New York lunchtime:	New York lunchtime:	FT-SE 100:
$1.704	DM1.726	2,667.4 (+4.1)
London:	FFr5.884	FT Ordinary:
$1.698 (1.693)	SFr1.5158	2,093.6 (+1.1)
DM2.94 (2.945)	Y135.9	FT-A All-Share:
FFr9.965 (10.0025)	London:	1,284.07 (+0.3%)
SFr2.5875 (2.585)	DM1.7315 (1.74)	New York lunchtime:
Y231.0 (230.8)	FFr5.8800 (5.9075)	DJ Ind. Av.
£ index 91.0 (same)	SFr1.5235 (1.5275)	3,012.97 (+4.47)
GOLD	Y136.10 (135.85)	S&P Comp
New York: Comex Dec	$ index 66.3 (same)	389.32 (+0.18)
$353.4 (351.4)	Tokyo close: Y136.0	Tokyo: Nikkei
London:	US LUNCHTIME RATES	22,692.6 (+192.95)
$348.5 (347.5)	Fed Funds: 5½%	LONDON MONEY
N SEA OIL (Argus)	3-mo Treasury Bills:	3-month interbank:
Brent Oct	5.44%	10¼ (10⅜)
$20.175 (20.125)	Long Bond:	Liffe long gilt future:
Chief price changes yesterday: Page 22	101⅛	Dec 95⅛ (Dec 94⅞)
	yield 8.02%	

Upbeat PM overshadows attempts to cool election speculation

Major confident on economy

By Philip Stephens, Political Editor

AN UPBEAT prediction by Mr John Major, the British prime minister, that the UK economy is about to enter a virtuous circle of steady growth and low inflation added fuel yesterday to the fire of general election speculation.

Mr Major's signal that he is convinced that the recession is over and that inflation will fall to 4 per cent or less by the end of the year overshadowed his own efforts to play down the significance of the latest opinion polls.

In comments on his return from a six-day visit to Moscow, Beijing and Hong Kong, Mr Major said that the "snapshots" of popular opinion provided by the polls would not greatly influence the timing of the election. The two latest polls have given the Conservatives leads of 2 and 4.5 per cent respectively after four months when Labour had been consistently ahead.

Senior aides told journalists travelling with the prime minister that he was determined not to take "risks" by calling an early election. That reinforced the view of most cabinet ministers that he will wait until next spring.

"I rate the chances of a November election as 1 in a 100", one senior minister said.

Major's style.................Page 4
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Optimism in fashion .....Page 6
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The strength of Mr Major's confidence on the economy appeared to surprise even the Treasury, which still remains uncertain about the precise timing and strength of an end to the recession.

Most senior Whitehall economists believe that the recovery will be slower and weaker than after previous recessions, with further sharp rises in unemployment and another wave of bankruptcies in prospect in the next few months.

Mr Major, however, chose to stress rising consumer confidence after the cuts in interest rates. "The point is we are beginning to see the economy turning round. I think that has a very natural effect on people's expectations and their behaviour and it begins to affect the economy itself. People begin to spend again which means the economy begins to grow and there is a general virtuous circle."

The message, echoed by Mr Douglas Hurd, the foreign secretary, fuelled speculation among opposition parties that although Mr Major is still looking to 1992, he is preparing a "dry run" against the possibility that Labour support could weaken decisively over the next few weeks.

That view was reinforced by an announcement that 10 days of globetrotting will be followed by another appearance for Mr Major on the international stage when he meets President François Mitterrand in Paris next Wednesday.

UK unions condemn Japanese investor approach

By Michael Smith,
Labour Correspondent

BRITAIN'S Trades Union Congress yesterday condemned the "alien approach" of some Japanese inward investors amid accusations by a senior union leader that the move was racist.

The row, on the last day of the TUC's annual congress in Glasgow, marred attempts by union leaders to portray an image of unity and moderation in the run-up to the next election. Mr Gavin Laird, general secretary of the AEU engineering union, said the resolution was racist and would send a negative message to potential inward investors.

His warning comes at a time when five unions, including his own, are competing for a deal to represent workers at the Derbyshire plant being set up by Toyota, the Japanese car manufacturer.

Toyota has drafted an agreement which includes a controversial "no disruption" clause, seen by some union leaders as tantamount to a no-strike requirement. The company wants to delay pay talks until at least 1994. It also wants a standard 39-hour five-day week, with the flexibility to roster workers for up to an extra two hours a day and on alternate Saturday mornings.

Some unions fear that the TUC's approval of the "alien approach" resolution will jeopardise the chances of any union winning a deal to represent Toyota workers.

Proposed by the MSF, the left-led general technical union, the resolution drew attention to several recent Japanese projects which had "brought an alien approach to trade union organisation."

It criticised no-strike and compulsory arbitration clauses and said the TUC should pursue more actively a joint union approach to inward investors.

Mr Ken Gill, MSF general secretary, said he strongly resented the allegations of racism. Japanese-style beauty contests in which unions compete for a deal were "feudal and alien" to British traditions.

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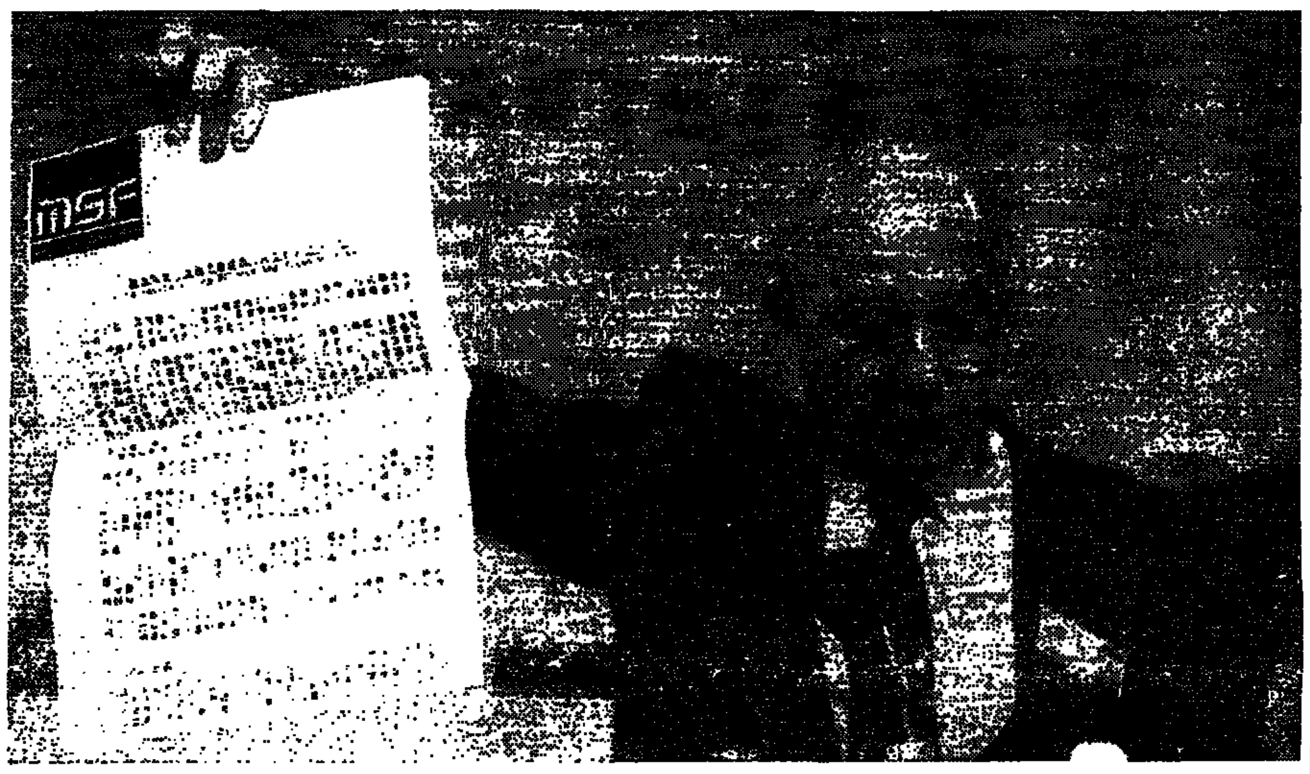
Shift in power, Page 6



Negative message: Gavin Laird of the AEU warned delegates that a resolution on Japanese investment was racist

R-R clinches launch order for engine on new Boeing

By Richard Gourlay

ROLLS-ROYCE won a first crucial order yesterday for a new engine to power the Boeing 777, the only large commercial aircraft likely to be launched this decade.

The £250m order for Thai Airways International regains some of the ground lost last month when British Airways gave a contract to one of its main competitors, the US General Electric Company.

Rolls-Royce offered a more attractive financial package to Thai Airways than GE and Pratt and Whitney, the Thai chairman said. Rolls-Royce would not release details of the deal.

Although two other Pacific Rim airlines – Cathay and Garuda of Indonesia – have ordered similar Trent engines for their Airbus fleets, Thai becomes the all-important launch customer for Rolls-Royce's engine sales for the 777.

Sir Ralph Robins, the Rolls-Royce chief executive, said Thai was a prestige carrier operating in an area of significant growth in air transport.

The order for six aircraft, with an option for six more, will be a relief to Rolls-Royce at a tough time for aero-engine manufacturers.

But a number of analysts questioned what financial concessions Rolls-Royce had needed to make to secure the contract. One industry expert said they may have been as much as $200m (£118m).

Financial concessions are a normal part of negotiations to secure aero-engine orders, particularly during the intense competition surrounding the launch of new models.

Manufacturers hope to make profits from supplying parts and after-sales service.

Analysts also warned that the contract still had to be approved by the Thai cabinet. Irrespective of the financial arrangements, the sale will help establish the Trent 800 engine for the Boeing 777 series.

Rolls-Royce said the Thai contract was the fifth order for the Trent "family" of engines. There were now orders and options for 180 aircraft worth £1bn.

The Rolls-Royce shares rose 5p to 143p on the news.

Air Nippon and Cathay Pacific are to decide shortly on whether to buy the Boeing 777 and if so, whether to power it with Rolls-Royce Trent engines.

The order was also a rapid riposte to General Electric, fresh from its success in securing the £400m contract for 15 aircraft – with 15 options – from British Airways.

Thai has been a large GE customer.

However, the contract does not solve one of Rolls-Royce's biggest problems, which is its lack of a customer base.

Thai will become Rolls-Royce's 11th customer for big-fan engines, while Pratt and Whitney has 43 and GE has 63, according to one analyst.

Yugoslav fighting fails to halt talks

By David Gardner in Brussels and **Laura Silber** in Belgrade

EUROPEAN Community foreign ministers last night agreed to proceed with today's Yugoslav peace conference in The Hague, without having secured the ceasefire which was to have been a precondition for the negotiations.

Despite attacks by the Yugoslav federal army on Croat forces holding the town of Okucani, 80 miles south-east of Zagreb, the Croatian capital, Mr Hans van den Broek, the Dutch foreign minister and current president of the EC Council, said in Brussels that "relative peace and quiet has set in" in Croatia.

All six Yugoslav republics, and the federal president and prime minister, have accepted *the EC's invitation to the conference*, which is to be chaired by Lord Carrington, the former UK foreign secretary.

Mr Slobodan Milosevic, the Serbian president who caved in to EC threats to isolate his republic unless he accepted mediation, telephoned The Hague to say he would be attending, Dutch officials said.

Mr van den Broek made it clear that any group which failed to show up in The Hague risked being isolated by the Community. "There has been and is an attempt to make the conference fail, and we cannot accept that provocation," Mr Gianni de Michelis, the Italian foreign minister, said. The ministers concluded that the logic which persuaded them to go for an early conference – to keep up the momentum provided by Monday's political breakthrough on the ceasefire accords – had not changed.

Those accords call for a ceasefire and disengagement of the Croat militia, Serbian paramilitaries in Croatia, and Serb-dominated federal army; extension of independent EC monitoring of the ceasefire; and a peace conference on Yugoslavia's future with the most intractable disputes put out to independent arbitration by leading European constitutional lawyers. Working groups are not expected to meet until Tuesday.

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THE SOVIET BREAK-UP

New men: Foreign ministers Algirdas Saudargas of Lithuania (left), Janis Jurkans of Latvia (fourth from left) and Lennart Meri of Estonia (sixth from left) with their EC counterparts at a lunch in Brussels yesterday marking the Community's decision to recognise the Baltic states.

Now the really hard work starts for Lithuania

By **Gillian Tett** in Vilnius

ALTHOUGH Lithuanians have been celebrating independence for over a week now, few expect the details of relations between the Baltic states and what remains of the Soviet Union to be settled quickly.

"Now that we're nearing full independence, the really hard work with our economy must begin," said Mr Eduard Bilkas, a Lithuanian economist, who stressed the enormous difficulties that will dog attempts to re-shape Lithuania's economic ties with the Soviet Union after 50 years of being integrated into the Soviet centralised economy and dependent on cheap Soviet energy supplies.

The issue that most immediately concerns Lithuanians, though, is the withdrawal of the estimated 90,000 Soviet troops stationed in Lithuania.

But although they have been keeping a fragile line of communication open with the Soviet Baltic military command there are fears that the army withdrawal will not be carried out rapidly – not least because troops and their families may be reluctant to leave the Baltics, where food supplies and living conditions are generally better than the other Soviet republics.

In another reminder of the ethnic problems that may undermine Lithuania's attempts to build political stability, leaders of the Lithuanian Polish community – about 7 per cent of the population – yesterday threatened in a Polish newspaper to appeal to international human rights organisation about alleged political discrimination.

After an emergency session, the Lithuanian parliament announced on Thursday that local councils in some Polish-dominated regions would be dissolved and direct rule imposed from Vilnius. Some leaders of these councils have been charged with collaborating in or supporting the failed Soviet coup three weeks ago.

It is expected that they will raise the issue at a Helsinki human rights convention in Vilnius this week.

In another step forward in the international community, the first American diplomatic representative to arrive in the Baltic, Mr Curtis Kamman, announced in Vilnius that the US would be opening an embassy in all three Baltic states "within a matter of weeks".

In the parliament building, some Lithuanian officials made the point, however, that it was United Nations recognition that was crucial.

Crimeans happy to stick with Ukraine

By **Chrystia Freeland** in Simferopol, Crimea

THE deeply-tanned, well-fed citizens of Simferopol responded with equanimity to the Crimean parliament's half-hearted declaration of sovereignty on Thursday. The law shifts more power and property to the Crimean government but emphasises that Crimea remains part of the Ukraine.

Though Moscow news media played up the importance of the legislation, it is viewed locally as a political manoeuvre designed to deflect attention from the ruling communists' involvement in the botched coup.

In the declaration, the Crimean government claims exclusive ownership of its land, natural resources and coastal waters, asserts its right to close environmentally harmful industries and says the thousands of luxury dachas on the Crimean seaside now come under the autonomous republic's jurisdiction.

Last month, President Boris Yeltsin's office suggested that if the Ukraine left the Soviet Union it should surrender some of its territory to Russia. Crimea – which was transferred to the Ukraine from Russia in 1954 – was at the top of Mr Yeltsin's wish-list.

Most Simferopol shoppers were unenthusiastic about Mr Yeltsin's claim, a surprising response given that more than half of Crimea's 2.5m inhabitants are Russian. "I am for the Ukraine," declared 46-year-old welder Nina Petrovna. Hefting a bag overflowing with plums and peppers, she explained: "The Ukraine is so rich, we feed all of Russia."

By contrast, Mr Yuri Komov, head of Democratic Crimea, the small but feisty parliamentary opposition, is "personally for Russia. While the Ukraine is taking the path of national development, Russia is moving towards democracy."

But even Mr Komov thinks Crimea should remain with the Ukraine for the next decade. He worries that altering the borders sooner would embroil Crimea in a bloody dispute between the Ukraine and Russia.

Managers enter new era with a bang

By **John Lloyd** in Moscow

SENIOR Soviet financial managers yesterday learned that a new era had dawned in the Soviet Union. They were verbally assaulted by Professor Jeffrey Sachs, the *enfant irrépressible* of post-communist economies.

The setting was a plenary session of the World Economic Forum in Moscow's Metropole Hotel – a session on finance and investment which Professor Sachs was billed to "moderate", but instead severely aggravated.

Senior bankers and company executives, grey in the service of seeking profitable investments, who had heard of the professor only as the saviour of Poland, were treated to the closest thing international economics has to a prima donna.

Prof Sachs had challenged a panel of prominent specialists and executives to say when the rouble should be converted. Mr Valerian Kulikov, deputy chairman of the state bank Gosbank, said that rapid convertibility was "an adventurist measure". The Poles, who had done it quickly, had an export-oriented economy and a $4bn (£2.3bn) cushion of personal savings and were not repaying their foreign debt. None of this was true of the USSR.

Mr Ivan Ivanov, former deputy chairman of the Foreign Economic Relations Committee, said that convertibility would need at least $20bn a year for three years to support the rouble, and no one in the west was going to provide that.

Mr Thomas Alibyegov, deputy chairman of Vneshekonombank, the bank of foreign economic relations, said that convertibility was not a magic wand.

The boyish professor had fidgeted furiously through all of this: given a microphone again, he became passionate. "Listening to these experts, it's no surprise that this country has almost ceased to export.

"These arguments were widely believed in Latin America and were discredited. They were believed in eastern Europe in the 1980s and nobody believes them now. I am distressed and saddened to see them believed here.

"I learned something new here," said Prof Sachs with a sarcastic bark of laughter. "I learned the Poles had an export-oriented economy. They didn't think so.

"Frankly, gentlemen, if you believe all that, you will never do anything because everything is always impossible. I must say, your arguments are just plain silly."

Russian bank chief suggests longer-term debt

By **William Dullforce** in Lausanne

MR Gueorgi Matjukhin, chairman of the Russian central bank, proposed yesterday that part of the Soviet Union's foreign debt, rapidly approaching $70bn (£41.4bn), be converted into long-term dual currency bonds.

Other possibilities were to convert debt into equity or into new credits secured against gold, diamonds or oil rights, Mr Matjukhin told western financial executives attending a course at the International Institute for Management Development in Lausanne.

Noting that nearly half the debt was short-term, Mr Matjukhin said conversion into longer-term obligations would be one way in which western banks could help the Russian and other former Soviet republics in their efforts to develop market-based economies.

The idea of issuing bonds payable in either roubles or a western currency had been broached by Salomon Brothers before the New York bond-trading house ran into trouble over breaking US Treasury auction rules but, Mr Matjukhin said, other western banks had since voiced interest.

Debt-into-equity swaps would enable foreign companies to buy into Russian and other republics' enterprises as their economies were privatised.

Such solutions would also help to resolve differences among the republics over how to divide responsibility for the dissolved Soviet Union's debt.

The Soviet state bank, responsible for the debt, would be transformed into an institution with the republics as shareholders.

Bringing Wall Street to eastern Europe

From Salomon Brothers to the EBRD: **Peter Marsh** profiles Ronald Freeman

MR Ronald Freeman has jumped from one hot seat to another. He has swapped a top job at Salomon Brothers, the embattled Wall Street securities house, for another in charge of aiding the reconstruction of the Soviet Union and eastern Europe.

Mr Freeman took over in July as deputy head at the publicly-owned European Bank for Reconstruction and Development, where he spearheads operations to revive the economies of the former communist bloc through privatisation and infrastructure projects.

By chance, Mr Freeman narrowly missed the wave of unfavourable publicity that in the past month has swept over Salomon, which is accused of rigging Treasury bond auctions. Playing down the impact of the scandals, Mr Freeman said yesterday in his London office that he intends to keep his "spiritual and emotional" ties to his former employer.

More pertinent to his current job will be the contacts he made in his 18 years at Salomon, where he specialised in mergers and acquisitions. Most recently, he headed the bank's investment banking activities in Europe and was involved in several trading deals involving Salomon in the USSR.

Since moving to the EBRD, Mr Freeman has examined about 170 proposals for privatisation schemes in the former communist bloc, 43 of them in the Soviet Union. Most of the projects involve participation by blue-chip companies of the sort that he encountered on Wall Street. "I'm speaking to a lot of old friends," he says.

The theory is that EBRD will advise on the skills needed to take these projects – which include ventures in energy, food making and environmental schemes such as water purification – from the ideas stage to a successful business, in many cases putting up loans or equity, possibly in partnership with private finance houses.

Even though only relatively few of the schemes are likely to go ahead, Mr Freeman believes the interest of such a large number of western companies is proof of the opportunities. He says that business interest in the Soviet Union – which he has visited four times since taking over at the EBRD – has been "galvanised" by the failure of the attempted coup.

"I'm speaking to a lot of old friends," he says.

In the past week, Mr Freeman has talked to about 12 big oil and gas companies which have demonstrated new interest in energy ventures. "A lot of people are exhilarated that Gorbachev isn't on his own any more [in introducing democracy]," he says.

In Leningrad and Moscow, Mr Freeman and his 33-strong merchant banking team are examining the commercial prospects for several thousand state-owned industrial operations, from retailing to rocket factories.

Apart from small shops and cafés, which can be privatised relatively easily by selling them to employees, many of these enterprises appear unlikely to be able to survive without western help – in the form of loans or equity capital, or aid in areas such as setting up sales teams.

But Mr Freeman insists that even simple ideas from the west can do a lot to put Soviet businesses on a better footing. One area is incentive schemes. "Why not reward employees who work hard with western consumer goods, or even new apartments?" he says. He is also talking to several European retail banks about a scheme to set up a nationwide network of high-street lending agencies, which would channel loans to new businesses and people keen to take over state-owned factories.

Mr Freeman says a key to the next few years for the Soviet Union is whether it can survive the winter without massive food shortages. Assuming this problem can be tackled, he is reasonably hopeful that the industrial structure of the Soviet Union can be transformed over the next few years. "It may be painful but there is a good chance it will be peaceful," he says.

Right: Roger Freeman (Picture: Ashley Ashwood)

Lukyanov charged with coup treason

MR Anatoly Lukyanov, the ousted chairman of the Supreme Soviet legislature, has been charged with treason for helping the foiled coup, AP reports from Moscow.

Mr Valentin Stepankov, the Russian prosecutor, said yesterday Mr Lukyanov had been charged on Thursday, a day after he was formally fired by the Congress of People's Deputies.

Mr Lukyanov has repeatedly and vehemently denied any involvement in the August 18-21 coup against President Mikhail Gorbachev, his friend since law school. However, Mr Lukyanov made no effort to call the legislature into session to overturn the coup.

Mr Stepankov, whose office is leading the investigation into the coup, gave no details of the case against Mr Lukyanov, the 14th person charged with treason, which carries a possible death sentence.

Also charged are the seven surviving members of the eight-man emergency committee which seized power, the three other KGB generals, Mr Gorbachev's chief of staff, a Politburo member and a deputy defence minister.

Mr Stepankov denied reports in the Soviet press that a witch hunt was under way that could eventually rival the purges of Stalin in the late 1930s, in which three-man tribunals sentenced people without evidence, and millions died.

"There is no organised terror or massive investigation," Mr Stepankov insisted. He said he had 75 investigators working, and only 21 people under formal investigation in the Russian Federation. He would not name the other seven suspects, saying they had not been arrested.

He said other republics were conducting their own investigations into the coup.

Soviet envoy to UK sacked

THE SOVIET ambassador to Britain has been sacked and five other Soviet ambassadors have been recalled because of accusations that they supported the coup against President Mikhail Gorbachev, AP reports from Moscow.

Foreign Ministry officials said that Mr Leonid Zamyatin, a hard-line communist who had been ambassador to London since 1986, was recalled to Moscow before Mr John Major, UK Prime Minister, visited the Soviet Union last week.

Mr Zamyatin, 69, was later dismissed, but has not been charged with any crime, officials said.

INTERNATIONAL NEWS

Japanese business confidence lowest since early 1988

By **Steven Butler** in Tokyo

BUSINESS confidence in Japan fell last month to the lowest level in three and a half years, according to the Bank of Japan's quarterly economic survey, released yesterday.

Nevertheless, Mr Yutaka Yamaguchi, director of the central bank's research and statistics department, said business conditions were still favourable, with firm trends in capital spending, sales, and profits.

The survey, known as the Tankan, showed a fall in the business confidence index for major manufacturing companies from 36 in May to 27 last month. The Bank of Japan said, however, that the economy was in the process of a gradual slowdown and that a sharp decline was unlikely.

The confident tone of the bank discouraged expectations of an early cut in the official discount rate, which was last reduced on July 1 from 6 per cent to 5.5 per cent.

At the same time, the central bank injected liquidity into credit markets in a move that helped push overnight interest rates from 7.25 per cent to 6.9 per cent on the day.

Mr Russell Jones, an economist at UBS Phillips & Drew, said easing of interest rates reflected the Bank of Japan's confidence that inflation was coming under control, rather than concern about levels of economic activity.

Investment plans for manufacturing industries for the year, for example, showed a half percentage point rise compared the previous survey. Investment for the year is expected to rise by 6.7 per cent compared to late year, although a rise of just 2.6 per cent is expected in the second half of the year.

Corporate liquidity is expected to continue declining.

Golf course developer hits the rough

By **Robert Thomson** in Tokyo

A LEADING Japanese golf course developer was in a deep financial bunker yesterday, as credit agencies declared the company insolvent after its promissory notes were dishonoured for the second time.

Hitachi Kanko Kaihatsu was estimated by Teikoku Data Bank, a credit agency, to have outstanding debts of Y110bn (£480m), the 10th largest failure this year and a sign of the continued unravelling of Japanese financial excess.

The company had attempted to capitalise on a surge of speculative interest in golf club memberships, which have been regarded by Japanese as an investment roughly equivalent in character to stock or land purchases.

Memberships are freely traded on a large secondary market. The certificates also entitle holders to play golf.

Hitachi Kanko had built what was considered to be one of the most prestigious courses, Ibaraki Country Club, north of Tokyo, now the subject of legal action after it allegedly issued 49,000 memberships instead of the promised 2,800 that were to have gone only to an executive elite and a chosen few individuals.

The club is alleged to have raised as much as Y100bn from the unauthorised issuing of memberships, and is being sued by purchasers, who claim that news of the huge number of memberships actually issued has made their certificates worthless on the secondary market.

Like other Japanese golf course developers, Hitachi Kanko has been hit by a plunge in the golf membership market.

Mongolia secures $155m aid package

By **Robert Thomson** in Tokyo

MONGOLIAN leaders yesterday secured about $155m (£91.5m) in immediate international assistance and received administrative guidance from Japan's Ministry of International Trade and Industry (Miti), a Mongolian version of which has recently been established in Ulan Bator.

A Mongolian delegation, including Deputy Prime Minister Ganbold, Finance Minister Bazarhuu, and central bank governor Jargalsaihan, met representatives of 14 countries in Tokyo to outline the country's need for at least $150m in assistance this year to cope with the transition to a market economy.

Mongolia, a virtual Soviet satellite until two years ago, has reformed its political system, allowing opposition parties and an election last year, which was won by the ruling communist party. But the landlocked country of 2m, a majority of them nomadic herders, faces a difficult winter, as political independence from Moscow has been accompanied by a sharp fall in economic assistance and fears of food shortages.

Mr Taro Nakayama, Japan's foreign minister, said that Mongolia faces "a long and severe winter" with the prospect of shortages of fuel, machinery, food and medicine.

Japan yesterday agreed to provide $61m of the $155m (£91.5m) pledged, with $35m in loans and $26m in grant aid and technical assistance. Mongolia will need help. The country had relied on the Soviet Union and other Comecon members for 95 per cent of its trade, with exports of copper, cashmere and camel hair bartered for industrial equipment and technical skills.

US and Israel head for clash on $10bn loan guarantees

By **Lionel Barber** in Washington

THE US and Israel were last night heading for a confrontation over an Israeli request for $10bn (£5.9bn) of loan guarantees for resettling and housing Soviet Jews.

President George Bush issued a strong statement urging Congress to delay approval of the Israel request for 120 days, on the grounds that it could jeopardise prospects for a Middle East peace conference.

After meeting with Mr James Baker, US secretary of state, Mr Bush declared bluntly: "We will take no chance of unravelling the peace process. We want to give peace a chance."

The president issued his statement in the Oval Office, just hours before Mr Zalman Shoval, the Israeli ambassador in Washington, was due to present a formal request from his government for the guarantees.

Both Mr Bush and Mr Baker have been irritated by the refusal of Mr Yitzhak Shamir, the Israeli prime minister, to delay the request, which the administration sees as symptomatic of Israel's general intransigence toward the peace process.

● Mr Yossi Olmert, the Israeli government spokesman, said last night Mr Bush's linkage of the loan guarantee request to the peace process was "very disappointing", Hugh Carnegy writes from Jerusalem.

"It is totally unacceptable that the issue of the Jews coming to Israel is seen as an obstacle to peace," he said.

But he acknowledged that Mr Bush's intervention amounted to a strong warning to Israel not to attempt to defy the administration by mobilising its traditional support in Congress.

US jobless rate boosts hopes for recovery

By Lionel Barber in Washington

THE US employment rate was unchanged at 6.8 per cent last month, the Labour Department reported yesterday. The flat conditions boosted hopes that a weak US economic recovery is under way.

Non-farm payrolls, the key employment barometer, were largely unchanged in August, but there were modest gains in manufacturing jobs and a continuing increase in the factory work week. It is now at the same level as July 1990, when the recession began.

Mr Michael Boskin, chief economic adviser to President George Bush, said the August figures confirmed earlier administration forecasts that the economy would improve in the second half of 1991.

"We haven't said it's healthy, we've said it is improving," he said.

Mr Boskin predicted growth in the second half of this year of 2.5-3 per cent. This is less than half the rate of expansion in typical postwar recoveries, and congressional Democrats seized on the employment data to press their case for extending benefits to jobless workers.

The unemployment rate has hovered around 6.8 per cent since last March, and yesterday's figures were eagerly awaited by the financial markets, which have been watching for signs that the Federal Reserve might cut interest rates further to stimulate the recovery.

Although the pressure may have eased slightly yesterday, Mr Boskin suggested that the Fed could do more to foster a recovery by increasing the nation's money supply "well up into its target ranges."

Jobs data are often volatile in the early stages of a recovery. Yesterday, Dr Janet Norwood, the head of the Bureau of Labour statistics, cautioned in testimony to the Senate that the labour market last month "continued to lack clear direction."

Total employment fell by about 300,000 to 116.4m last month, some 1.5m lower than in July 1990.

The number of unemployed Americans remains at 8.5m, about 1.7m higher than in July 1990.

Manufacturing jobs rose by 42,000, consolidating July's modest gains in car-related industries; but these increases were offset by equally modest job losses in construction, the wholesale trade, and mining, which continued a six-month string of losses.

Balkans crisis foists a new role onto the Community

Judy Dempsey analyses the background to today's meeting of the EC and Yugoslav political leaders

TODAY'S meeting of foreign ministers from the European Community with Yugoslav political leaders signals not only a new role for the EC but also the partial ceding of Yugoslavia's sovereignty to an international forum.

To what extent Yugoslavia is yielding, or suspending, part of its sovereignty will be open to many interpretations. However, international pressure has been one of the primary impulses behind attempts to settle a *dispute which, if not solved,* would spill over into other countries in the Balkans. That is one of the reasons why the EC was propelled into action.

"Leaving aside the question of recognising the independence of Croatia, or Slovenia, the EC wanted to show that if it remained passive, it would have sent out the wrong signals to the other fledgling democracies in the region. The EC had to show that it would not accept the changing of internal borders by force," said one east European diplomat.

The inability of Yugoslav leaders to hold their own peace conference reveals not only lack of trust and *confidence among themselves to negotiate* a binding settlement, it also shows the weakness of Yugoslavia's democratic and political institutions.

Unlike the other countries of eastern Europe and the Soviet Union, Yugoslavia never had an *anti-communist* revolution from below which might have dismantled federal army power and the undemocratic and bureaucratic federal institutions.

Instead, the republics of Yugoslavia had a *nationalist* revolution, which was largely controlled by the top. Those new republican leaderships, many of them former communists, were elected on a nationalist ticket. *As a result, the institutions which* emerged throughout the country after democratic elections last year did not lead to any radical economic reform programme, or any strengthening of independent structures outside the state. Power still remains largely in the hands of the state, while authority has been legitimated through the medium of nationalism.

Furthermore, these nationalist and "étatist" platforms revived two issues which the late President Josip Tito suppressed for over four decades, and which even preoccupied the Kingdom of Yugoslavia when it was founded in 1918: the role of ethnic minorities in a *multinational state,* and the relationship between the centre and the regions.

The need to reassert ethnic identity and statehood, whether in the case of Croatia through initially marginalising the Serb community, or in the case of Serbia by using force as the means to create an ethnically unitary and greater Serbia, led to delay in completing the revolution and creating genuine democratic structures.

It is difficult to predict if today's meeting in the Hague will be the beginning of the end of that unfinished revolution. But whatever the outcome, diplomats believe that the Yugoslav experiment is over, and that the role of national/ethnic identity is likely to play a big role in Europe for some time to come.

Carrington faces delicate task at Yugoslav peace talks

By Robert Mauthner, Diplomatic Editor

AT 72, Lord Carrington, who has been appointed as chairman, or "co-ordinator", of the Yugoslav peace conference, is facing one of the most delicate tasks of his long and distinguished career.

As the former British Foreign Secretary admits, his greatest previous achievement – the 1979 Lancaster House agreement which ended white rule in Rhodesia and led to the creation of an independent Zimbabwe – cannot be compared with the Yugoslav problem.

"The Lancaster House conference was essentially a domestic matter. We, the British, were responsible for Rhodesia. We held a few cards in our own hands."

A requisite for solving a problem of this kind is that all the participants want a settlement to be reached.

That was certainly true of the Lancaster House conference. "I am not sure that this is the case in Yugoslavia, for the moment."

He sees his role in brokering a peace agreement in Yugoslavia as much more like mediating in a dispute between two Nato countries, a process he was frequently involved in during his term as Nato secretary-general from 1984 to 1988.

One of the pre-conditions for a successful outcome to such efforts, he stresses, is that the parties involved should not be fighting each other while negotiations on a political solution of their dispute are going on.

Lord Carrington has no doubts that the EC is right to intervene. "If the Community is to have a political reality when something like this happens on its borders, which historically affects its members, it is right that it should seek solutions."

Though not pretending to have any special expertise on Yugoslavia, Lord Carrington has had some first-hand experience of its problems. He was a member of the first British parliamentary delegation to visit Yugoslavia in 1949, after Belgrade's break with Moscow.

"I knew Tito [Marshal Tito, the late Yugoslav leader] very well and once spent a whole day with him in Bosnia. One therefore has an idea of what their problems are," Lord Carrington says in a typical understatement.

Lord Carrington hotly denies that he has been getting itchy feet at Christie's, the art auction house of which he has been chairman since 1988.

"I am very happy at Christie's and hope to continue as chairman if they still want me," he insists. But if you are asked to do a job like chairing the Irish political talks, for which he was vetoed earlier this year by the Ulster Unionists, or to preside over the Yugoslav peace conference, "you can't refuse, can you?"

Carrington: broker's role

EC agonises over trade concessions

By David Buchan in Brussels

THE PAIN of putting solid trade concessions behind their promises of political solidarity with eastern Europe wracked EC foreign ministers yesterday.

European Commission proposals for a sizeable increase in food and textile imports from Poland, Czechoslovakia and Hungary drew sharp complaints from several governments, notably France, Ireland, Portugal and Belgium.

The Commission, backed strongly by the Dutch presidency of the EC and several northern states, wants the concessions to bring to a speedy conclusion long negotiations on EC association accords for each of the three central European states.

As talks continued last night, a compromise was floated which would still help the central Europeans offload some but not all of their rapidly-increasing food surpluses, on the EC market. The EC would allow Moscow to use the food credits, which it has already been pledged by the Community, to buy food in eastern rather than western Europe.

East Europe's traditional food sales to the Soviet Union have plummeted, because of the latter's shortage of hard currency.

The Commission bowed to worries – chiefly in Portugal, where one manufacturing job in three depends on textiles – that phasing out all of the import quotas on central European textiles within six years would set too liberal a precedent for the Gatt world trade talks.

The Commission agreed to delay a decision on ending quotas on central Europe's textiles until agreement had been first reached in Gatt.

Philip Stephens adds: The threat of economic disintegration in the Soviet Union and still-sharp differences on economic and political union have confronted the EC with the prospect of at least two summits this year.

Senior British officials said yesterday the EC had pencilled in the beginning of October for a special summit to co-ordinate its aid policy towards Moscow.

That summit may be followed by another special gathering of heads of government to seek a breakthrough in negotiations in the two intergovernmental conferences on economic and monetary union.

De Maizière resigns from CDU

By David Goodhart in Bonn

MR Lothar de Maizière, deputy chairman of the ruling German Christian Democrats (CDU) and leader of the short-lived democratic East German government in 1990, has resigned from the CDU after a bitter clash with west German CDU leaders about the state of the party in east Germany.

His resignation could be followed by others and is likely to further sour relations in the already demoralised party.

Mr Volker Rühe, the west German general secretary of the CDU, has in the past attacked several prominent east German CDU figures, including Mr de Maizière, who leads the party in the state of Brandenburg, for organisational incompetence and lack of political strategy.

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Unisys to pay up to $190m in bribe case

By Louise Kehoe in San Francisco

UNISYS, the financially ailing US computer and defence electronics giant, has pleaded guilty to charges of using bribery and influence peddling to obtain defence contracts and agreed to pay up to $190m (£112m) to settle criminal and civil charges.

The settlement is the largest to date in the long-running "Operation Ill Wind" investigation, conducted by the Justice Department, into Pentagon procurement fraud. To date, the investigation has resulted in the conviction of more than 40 individuals and five defence contractors.

The defence procurement scandal centres on the efforts of defence equipment makers to obtain information about competitive bids on Pentagon contracts illegally.

More than a dozen former executives and defence consultants hired by Unisys have previously pleaded guilty to charges which have included bribing Pentagon officials and making illegal campaign contributions.

Unisys said it had agreed to plead guilty to nine criminal charges and pay up to $190m in criminal and civil penalties.

Brussels probes Air France aid

THE EC Commission has launched an investigation into French government plans to inject FFr2bn (£200m) into Air France, AP reports from Paris.

The Commission said it would rule in two months whether this amounts to state aid or the normal action of a business investor. If it is the former, the Commission will then rule on whether to allow the aid.

Hurd and Rifkind attack Labour economic policy

By Alison Smith

SENIOR MINISTERS launched a concerted offensive yesterday, based on growing confidence among the Tories that the economic recovery will be apparent in time to help them win an election.

Mr Douglas Hurd, the foreign secretary, said the government's fundamental strategy of "free markets and sound finance has stood the test of experience.

"That won't be lost on the electorate. When the right time comes, a fourth term of government is firmly within our grasp."

He told an audience of west Oxfordshire businessmen that the most striking indicator was the rising optimism among ordinary voters, whose spending decisions would open a consumer-led route out of recession.

Mr Malcolm Rifkind, the transport secretary, joined him in reiterating that the defeat of inflation had to be the core of the government's economic policy.

Speaking in Ayr, Scotland, Mr Rifkind emphasised the need for continued vigilance to prevent inflation rising again. He said: "As the weeks go by, the case for a continuation of Conservative government will become unanswerable."

Both cabinet ministers highlighted signs of further economic recovery, with comparisons between prospective British and German interest rates and inflation rates. Mr Hurd said the current level of pay settlements, lower than in Germany, would also help to improve Britain's international competitiveness.

Just a week after a renewed Labour attack on the government's handling of the economy, with opposition plans for emergency measures to get Britain out of recession and tackle rising unemployment and a continuing fall in manufacturing investment, Mr Hurd accused Labour of "short-termism".

He said: "In their headlong dash to cut interest rates, they would only have had to jack them up again to defend sterling."

Labour in turn stepped up its revived attack on Mr John Major as "dithering" about when to call the election, and emphasised that whenever it came it would be fought on the whole of the Tories' economic record.

Mr Tony Blair, the shadow employment secretary, said the choice would be "between the Tories' stop-go policies with short bursts of apparent recovery succeeded by ever longer periods of recession; and Labour's policies for sustainable growth through investment in industry".

Miners face loss of pay after accident

MINERS yesterday attacked a decision by British Coal to dock the pay of 66 men involved in an underground accident. The workers were left shocked and shaken after a conveyor belt taking them to the face went out of control at Thurcroft Colliery, near Rotherham, South Yorkshire, on Tuesday.

British Coal says 42 men who were taken to hospital as a result of the incident will be paid as normal. The 66 others not taken to hospital stand to lose up to £45 each because they did not return to work.

The men were given check-ups at the colliery medical centre, then went home, shaken and suffering from minor cuts and bruises. They will be paid only for two hours they spent underground waiting to be rescued.

Because production at the pit was halted, a total of 500 men will lose between £10 and £15 in bonuses.

Mr Paul Roddis, NUM branch secretary, said the 66 men affected would lose between £25 and £30 in wages plus up to £15 in lost bonuses.

He said: "The British Coal decision is absolutely disgusting. These men are being penalised for something that was not their fault. It is true that taking the letter of our agreement British Coal are within their rights, but this is a harsh interpretation."

British Coal said: "All the men will be paid in accordance with standard procedure agreed between British Coal and the unions." It added that the procedures covered accidents.

Mines inspectors are still investigating the accident, which happened 1,000 ft below the surface.

Didcot inquiry

THE Department of Energy is to hold a public inquiry into National Power's plans for a second power station at Didcot, Oxfordshire, after local people raised objections to the proposed gas-fired station.

National Power's application to build the new 1500MW Didcot station was submitted in November last year. Oxfordshire County Council, has already accepted the proposal.

ICI pay deal

WHITE-COLLAR workers at Imperial Chemical Industries have accepted a 6.6 per cent pay offer with effect from June 1, the company said yesterday.

The settlement covers 28,000 employees in the UK. ICI manual workers have also accepted a 6.6 per cent increase.

County hall move

MR David Blunkett, Labour's local-government spokesman, yesterday condemned the decision to allow County Hall, former headquarters of the Greater London Council, to be redeveloped for commercial purposes.

Kinnock accused on defence

By Ivor Owen

THE Labour party was accused by Mr Tom King, defence secretary, yesterday of trying to hide its continuing commitment to unilateral nuclear disarmament.

He said the Labour party was prepared to "gamble away" the entire British deterrent in return for a fraction of the Soviet nuclear arsenal.

Mr King said the outcome would be the "classic unilateralist position", with a host of nuclear weapons targeted on Britain, which would be shorn of its own nuclear armoury.

In a jibe at Mr Neil Kinnock, the Labour leader, he said "no amount of lapsed CND membership fees" could conceal the "real" position.

Mr King reaffirmed the need to ensure that the reductions in Britain's forces were phased carefully over a period of years and warned of "potential new dangers" emerging from the fragile condition of much of eastern Europe and beyond.

The government did not make the mistake – "as others persistently do" – of assuming that the apparent disappearance of one threat meant the disappearance of all.

Mr King said both Labour and the Liberal Democrats were clamouring for massive reductions in defence expenditure "far beyond what is sensible at this time". Without the firm and decisive leadership given by Britain since the Conservatives returned to power in 1979, he said, the shape of Europe might have been very different.

Major's style turns to substance

Philip Stephens assesses political gains of the PM's globe-trotting

IT IS not enough to win a general election. But as Mr John Major returns this weekend to the mundane realities of domestic politics he can draw much satisfaction from his recent spell on the international stage.

After an unsure start to his premiership, he no longer looks an interloper in the councils of Mr George Bush or Mr Mikhail Gorbachev. The Conservatives have snatched an edge in the opinion polls. His own standing with the electorate – as well as his lead over Mr Neil Kinnock – has been reinforced by 10 days of flattering photo-opportunities.

During a hectic trip which, with only a brief interval, took in Kennebunkport, Moscow, Beijing and Hong Kong, Mr Major showed the confidence that comes with familiarity. There was little of the fiery unpredictability of Mrs Margaret Thatcher but neither was there any longer the awkward reticence of the new boy at school.

Most important, he provided frequent glimpses of the formidable political skills that took him from backbench MP to prime minister in little more than a decade. Party politics and government policies are beginning to collide with ever greater precision.

There was much in the trip that was style rather than substance.

The well-publicised Soviet aid plan agreed with President Bush in between sugary photo-opportunities at his Maine retreat turned out in essence to be a reshaping of existing policies.

In Moscow for just nine hours, Mr Major had to listen rather than lecture. His role as chairman of the G7 group of nations was not enough to make him more than an interested bystander in the power struggles of Mr Gorbachev and Mr Boris Yeltsin.

A public condemnation in Beijing of the Chinese leaders who crushed democracy in Tiananmen Square two years ago was dismissed even by some in his own entourage as "political froth". Regardless of whether Premier Li Peng responded to such strictures on human rights, a shared responsibility for Hong Kong meant that Mr Major would continue to do business with him.

Mr Major could claim justly that his travels had done more than simply bolster his reputation

In Hong Kong he showed flashes of tetchiness in response to charges that striking a deal with Beijing over a new airport or a court of appeal was not enough. Local political leaders argued forcibly that deference towards China before the colony's transfer in 1997 was denying Hong Kong the democracy sweeping the rest of the world. At least once, Mr Major showed himself too easily wounded by criticism.

Yet in international diplomacy, style more often that not merges with substance; and in a world too complicated for neat solutions, Mr Major could claim justly that his travels had done more than simply bolster his reputation with the British electorate.

The US had been nudged further in the direction of acceptance that the Soviet Union's full membership of the International Monetary Fund would provide the only credible backdrop for a comprehensive programme of economic reform. The leaders he met in Moscow had seemed impressed by the argument that the sooner they began negotiations with the IMF the better the chance of averting complete economic collapse.

In spite of the unease among local political leaders, Mr Major's case that a restoration of normal relations with China offered the best opportunity of maintaining confidence during the approach to 1997 was not lost on Hong Kong's business community.

But it was in his handling of the human rights question in Beijing that Mr Major demosntrated his political acumen.

When be left London at the weekend, the consensus was that the mere fact of his talks with such a regime would lose the government political points. Yet the Foreign Office was advising that, whatever he might say in private, Mr Major should not jeopardise negotiations over Hong Kong with too public a condemnation of disregard for human rights.

By the time he had arrived in China, Mr Major was receiving reports from London that some of his critics – notably Amnesty International – were moderating their stance. If Mr Major condemned the political detentions and religious persecution in Tibet, then the visit might be judged worthwhile.

It did not take him long to decide he would seize the opportunity to turn a political negative into a plus. The official advice was disregarded. As soon as the deal on Hong Kong had been sealed, Mr Major roundly condemned his hosts. The images transmitted back to London by the reporters in his entourage were those not of an embarrassed supplicant but of a brave leader sticking to his principles.

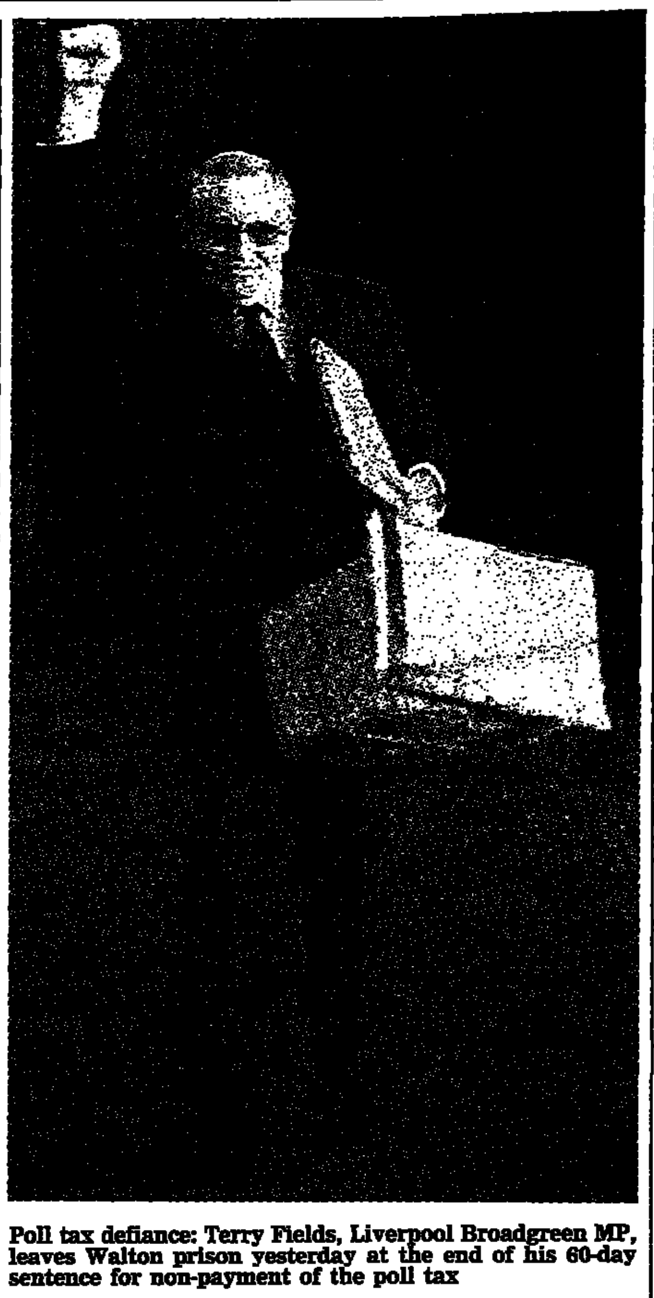
The globe-trotting is scheduled to continue over coming weeks. Mr Major flies to Paris for talks on Wednesday with President François Mitterrand. Next month it will be the Commonwealth summit in Harare. Then there is the prospect of two, if not three, European Community summits. His role as G7 chairman may take him back to Moscow. Mr Major can be relied on to extract the best from every photocall.

If he now looks like a prime minister enjoying rather than enduring his work, Mr Major has not been swept up by his own public relations.

There is considerable satisfaction with the polls – above all with the indicators showing a revival in economic optimism.

Still, Mr Major spent too long in the Treasury to be impressed by a single month's statistics. He is aware that the promise of economic revival may not be enough when the party conference turns the spotlight to domestic issues over the next few weeks.

He will not rule out November for the election, but the betting of those closest to him remains firmly on next spring.



Poll tax defiance: Terry Fields, Liverpool Broadgreen MP, leaves Walton prison yesterday at the end of his 60-day sentence for non-payment of the poll tax

Bickerstaff takes over as TUC president

By Lisa Wood, Labour Staff

IT WAS on the principle of Buggins's turn that Mr Rodney Bickerstaff, general secretary of Nupe, the public-services union, yesterday became president of the Trades Union Congress. If the position had been decided by election, he might have won anyway.

A poll published last week in the New Statesman, in which 100 trade union leaders rated the TUC general council, put 46-year-old, Yorkshire-born Mr Bickerstaffe in first place.

Left of centre in the labour movement, he is described by his peers as combining a passion about the interests of his members with a commitment to the unity of the trade union movement.

His external critics, notably government ministers, point to Nupe's advocacy of controversial issues, such as a national minimum wage, and its close involvement with the Winter of Discontent in 1978-79.

Both those considerations might be important for the TUC in the approach to a general election. The president of the TUC, who serves a one-year term, has little constitutional power – he or she chairs the general council's monthly meeting and its finance and general purposes committee. But the incumbent can be a figurehead for the TUC, particularly when Mr Norman Willis, its general secretary, is struggling to articulate the TUC's policies.

Nupe is media-conscious. Sober-suited Mr Bickerstaffe can be an astute performer, not getting involved in left-right union debates but more than willing to get up early for Breakfast TV to argue with a minister over the impact of a national minimum wage on employment - he believes it would create jobs because productivity would increase and the spending power of the low-paid would grow.

Mr Bickerstaffe describes himself as conservative with a small c. "I change, but I am not the first person to do so," he says.

Elected three months ago to be president of an EC trade union committee, he says: "I was always opposed to Europe but now that important directives are coming out of Brussels it is clear that we have to be involved."

Alongside such hard-headed analysis of where a modern trade union should be, Mr Bickerstaffe displays the strong emotion of the trade-union fundamentalist. He is proud that he was pictured under a Nupe banner at the age of nine and that his mother was a Nupe activist. He points out that his great-grandmother died in the workhouse.

With those credentials to draw on, his style of oration this week was as usual in the best "gutsy" traditions of old-fashioned trade union ranters like his friends Mr Ron Todd, general secretary of the TGWU general union, and Mr Ken Gill, general secretary of MSF.

Investment official defends actions

By James Buxton, Scottish Correspondent

MR Donald Macleod, finance director of Western Isles Council, which lost £23m in the closure of BCCI, said yesterday it had believed it was investing in "a very safe financial institution".

He admitted that "it's easy to say with hindsight we were wrong to put all our eggs in one basket. That's fair comment". He denied that the council had, as has been alleged, borrowed on the money markets with the aim of on-lending to make a profit.

Leaks from the external report on the affair commissioned by the council suggest that Mr Macleod is criticised for the way he ran the council's finance department, for delegating transactions with BCCI to junior staff and for failing to act on warnings about the bank.

Councillors are criticised for accepting the finance director's decision in 1986 to stop giving them information about the operations of its loan fund.

Mr Macleod said the partial leaking of the report, which occurred in spite of elaborate precautions by the committee considering disciplinary action against council officials, "seriously damaged the credibility of myself and the department in a way that is quite unfair. We have had no opportunity to defend ourselves."

He accepts responsibility for the actions taken by his department. "We knew about doubts over BCCI, but not at the time of the collapse," he told the Financial Times.

"We received warnings about BCCI about three years ago [when BCCI was accused of laundering drugs money in the US] but we took advice from people with knowledge of the markets and involved in the banking business, who advised us that it was safe." He refused to name those advisers.

"After the bank was restructured last year we took advice and felt we were operating with a very safe financial institution. We didn't do it without a lot of thought. And we were not alone – 40 other local authorities did the same thing."

The finance department stopped giving councillors details of loan fund operations "because it was perfectly obvious that members didn't want to know. They never showed the slightest interest, so I decided it was a waste of time preparing reports for them."

The council had borrowed this year's authorised capital allocation of about £20m at what it considered the most advantageous time and on-lent the money on a three-month basis, "in accordance with the best practice recommended by the Commission for Local Authority Accounts", he said.

"What we were doing was perfectly legitimate. We were not borrowing *to* on-lend. We were borrowing *and* on-lending."

The council had a strong incentive to make as much money as possible on its loans because of its very small tax base and the worst record for poll tax non-payment in Scotland. "We had to minimise the cost of service provision to assist our charge payers. We didn't specifically decide to invest in BCCI but we wanted the best return on our money. BCCI offered the best rates."

Abedi puts out public denial

By Farhan Bokhari in Islamabad

MR Agha Hasan Abedi, the former President of BCCI, issued a public notice yesterday through his lawyers, rejecting allegations against him in the Pakistani and foreign press.

The notice on Mr Abedi's behalf, signed by his lawyers and advertised on the front page of a Pakistani newspaper, said he reserved the right to take legal action against those responsible.

● Two former officials of Peru's central bank were charged on Thursday with taking bribes from Bank of Credit and Commerce International, Mr Nelly Malarin, a special prosecutor, told a press conference.

Mr Leonel Figueroa, president of the Central Reserve Bank of Peru in 1986-87, and Mr Hector Neyra, the bank's general manager, were the first government officials or former officials charged in connection with the worldwide scandal.

Mr Malarin said: "They are being charged with crimes of receiving bribes and corruption."

Mr Figueroa and Mr Neyra were named in July by Mr Robert Morgenthau, Manhattan district attorney, for having received $3m in bribes from BCCI in return for deposits of up to $270m of Peru's international reserves.

Malarin also said five members of the bank's board at the time the funds were deposited had also been accused of abuse of authority in the case but that the statute of limitations on those charges had expired.

A tale of blunders and missed opportunities

Richard Donkin reports on a highly critical US report

THE FULL extent of US investigative blunders in the BCCI case over eight years has been outlined in a report released by a sub-committee of the House of Representatives Judiciary Committee.

The Crime and Criminal Justice sub-committee, chaired by Mr Charles Schumer, has catalogued a series of failures which it says should have pointed to BCCI's worldwide illegal operations at a much earlier date.

The treatment of BCCI information, said the report, was a "classic case of many of the most often cited stereotypes about large bureaucracies: lack of co-ordination, issues and functions slipping between the cracks, turf battling, little, if any, information sharing and inability to see the forest for the trees."

It was clear, says the Schumer report, that federal authorities had scores of contacts concerning BCCI as far back as 1983. A review of files by the Drug Enforcement Administration in Washington had disclosed 125 cases that had been identified as having "something to do with BCCI". Most were undercover money-laundering operations that had led to warrants to seize BCCI accounts.

"In other words," the report says, "DEA undercover agents in store-front operations all over the country knew, as a matter of course, that BCCI is the place to launder drug money."

No one in the law enforcement community noticed the pattern, Schumer said, adding: "On at least two occasions, high-ranking officers had quashed actions recommended by rank-and-file investigators that might have transformed the government's isolated brushes with BCCI in the United States into a full-scale investigation of a criminal enterprise of international proportions.

"Time and again, the front-line crime fighters did the job but their colleagues elsewhere or bosses never got the news." No mechanism existed, said the report, to ensure a sharing of information between agencies. "The government had enough information on BCCI by the mid 1980s to have put BCCI on the most wanted list," it said.

The report singled out Customs and Excise, the Justice Department and the Internal Revenue Service for its most scathing criticism. The IRS, it said, could point to 15 separate matters from 1984 that could have linked BCCI to criminal acts.

Most startling, it said, was an IRS refusal in 1986 to begin an undercover investigation of the bank in spite of persistent requests by the Criminal Investigation Division in Miami and interviews conducted by IRS special agents with a former BCCI staff member who handed over documentation of deposits to a non-existent bank in Nassau in the Bahamas.

The report outlined the discovery by customs officers in 1983 of the alleged coffee smuggling activities of Mr Munther Bilbeisi, a Jordanian arms dealer and one of the largest customers of BCCI. "Any reasonable investigation into Bilbeisi's operations would have uncovered that Bilbeisi's coffee business had established a financial relationship with BCCI in 1983, and that BCCI had issued phony letters of credit from 1983 to 1986 to finance his smuggling."

The Justice Department had failed to bring an indictment against Mr Bilbeisi until August this year for tax evasion – after the expiry of the five-year statute of limitations on most of the coffee smuggling allegations.

The report also disclosed how Operation C-Chase, once described as the US's most successful operation in its fight against drug money launderers, was wound up against the wishes of the undercover agent who was working at the sharp end of the operation.

The two-year operation, which started in 1986, ended with the conviction of five BCCI officers, two of BCCI's banking subsidiaries and several members of Colombia's Medellín drugs cartel. The undercover agent criticised the lack of resources put into the case, which he said was wound up just when he had arranged to meet senior cartel members.

The report quoted one official who said that BCCI was "on the list of usual suspects" for various illegal activities. It said: "Much more could and should have been done to put it out of business, sooner rather than later."

UK NEWS

Royal Life to make cut of 600 in staff

By Norma Cohen, Investments Correspondent

ROYAL Insurance Group said yesterday it planned to eliminate 600 jobs in its Royal Life subsidiary, about 15 per cent of the workforce, as part of a restructuring intended to reduce costs.

The main changes involve the merging of the administrative operations and the streamlining of the organisation. Royal said the changes were part of a review that included the restructuring of its US operations and a revision of its UK product pricing and underwriting practices.

The company said the number of involuntary redundancies was still not clear. It would first eliminate jobs through attrition and by offering early retirement and voluntary redundancies. MSF, the financial services union which represents 75 per cent of workers at Royal Life and which has sole bargaining rights, said it was seeking to prevent involuntary redundancy.

The company said the restructuring reflected its rapid expansion in the 1980s, when its workforce grew five-fold. As a result, the company found it had duplicated administrative services, marketing and other functions.

The life insurance unit, a significant writer of endowment insurance policies and mortgage insurance, has been affected by the fall in house prices and the rise in mortgage repossessions. Royal had also seen a decline in its personal pensions business as executive redundancies increased.

Royal's move to shed jobs is the largest of any UK life insurer, which have all been affected by rising claims and falling new business. Other insurers, such as Sun Life, have announced more modest reductions in staff.

Royal had reported first-half losses of £97m and announced mortgage indemnity insurance losses of £45m.

Co-op Bank launches 'free-for-life' card

By John Authers

THE Co-operative Bank, a child of the trade union movement, is introducing a credit card that will be free for life for what it calls wealthy "high rollers".

The move has been timed to cash in on the deluge of criticism of the "big four" clearing banks – Barclays, National Westminster, Midland and Lloyds – that have levied annual charges on their credit cards. All claim to have made heavy losses on their credit card operations over the past three years, blaming the increasing proportion of cardholders who "freeload" by repaying their bills in full each month.

The Co-op's new Visa Gold card guarantees never to levy a fee during the life of the holder. There is one catch – the longest possible period for free credit has been reduced.

The card is not aimed at the Co-op's traditional constituency. Holders must earn at least £20,000 a year, only home owners may apply and the bank admits that it expects to reject most applicants. Also the offer closes at the end of this year.

The bank wants to attract people who pay in full each month. It hopes these wealthy customers will be encouraged to bring more of their lucrative business to the bank.

Mr Terry Thomas, the marketing manager behind the new launch, parried criticism that this was a betrayal of the Co-op's principles, saying: "We're supposed to be a classless society."

Details, Weekend II

Granada's record attacked by rival

By Raymond Snoddy

MR Phil Redmond's North West Television launched a ferocious attack yesterday on rival Granada as the franchise battle intensified.

North West, which has outbid Granada in the competitive tenders for a new 10-year commercial broadcasting licence for north-east England, said Granada did not deserve to be saved by the Independent Television Commission. The ITC has the discretion to award the franchise to a lower bidders in "exceptional circumstances".

Mr Allan Hardy, commercial director of Yorkshire Television, which has a minority stake in the North West consortium, said that if Granada lost "no one would notice it if it left. It wouldn't matter, not in the least."

Mr Hardy said that last year Granada produced 190 programmes which produced audiences of more than 9.5m for the ITV network. But, Mr Hardy said, 155 of those were Coronation Street, leaving only 35 such programmes a year.

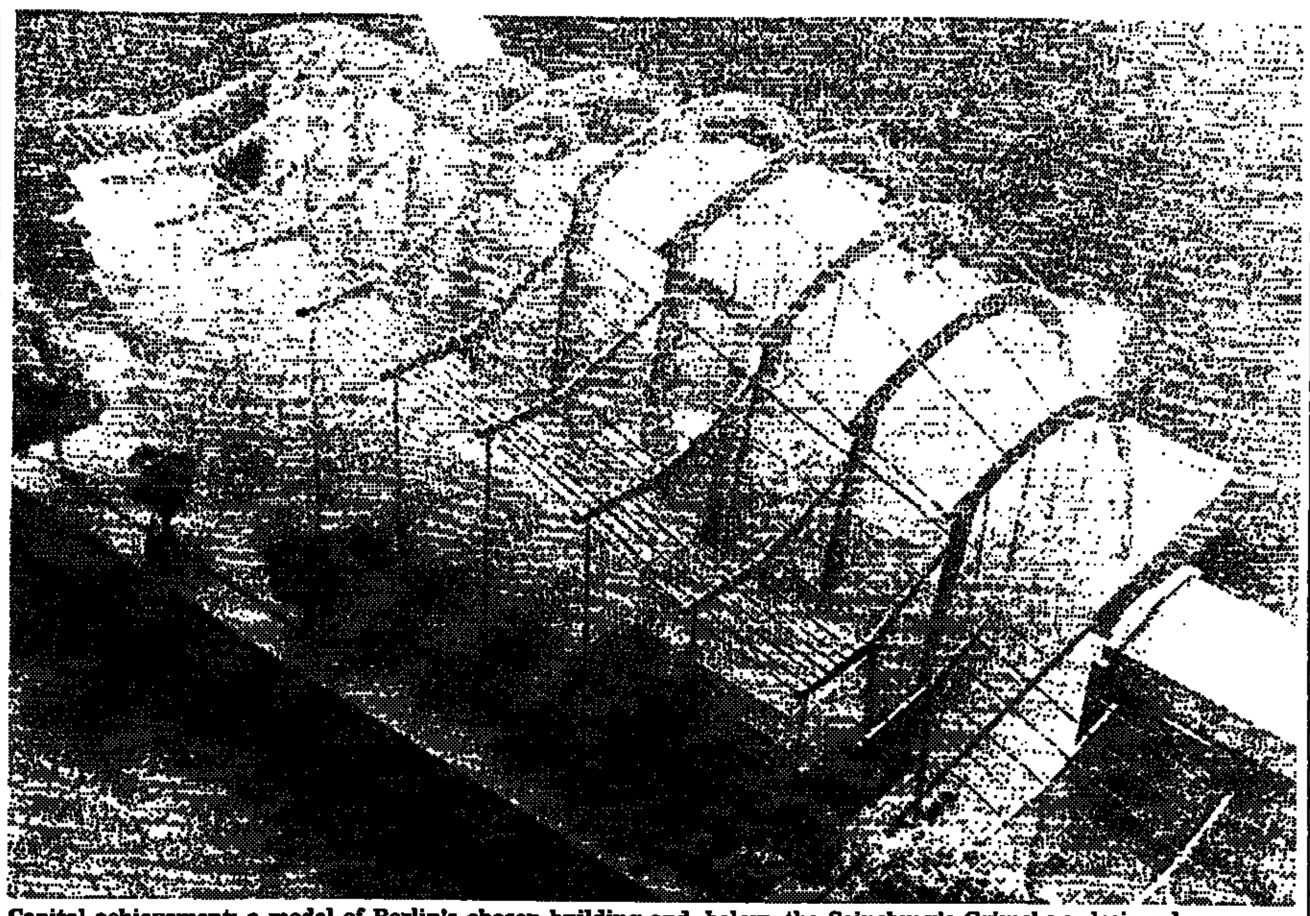
Thames Television (which has also been outbid) had a much stronger case for "exceptional circumstances" because of its economic importance to the network. In the same year, Thames had produced 203 programmes with audiences of more than 9.5m - 90 of them accounted for by The Bill.

Mr Hardy said until this March, Granada had regularly been beaten by the BBC in local news.

He also argued that it was a myth to say that if one or two of the big network production companies were to lose their franchises there would be a "black hole" in the network.

The new central scheduler for the network would be "embarrassed by choice. He will be overwhelmed by programmes". In addition to the proposals of the new players the central scheduler would be able to call on programmes made by losing ITV companies, which would become independent producers.

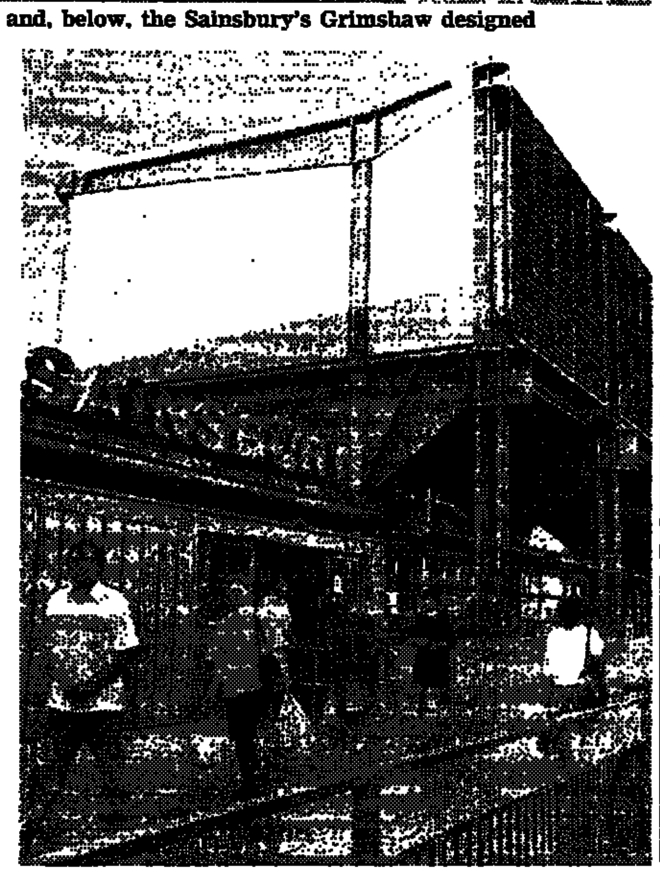
North West has bid about £35m for the franchise and Granada has bid less than £20m.



Capital achievement: a model of Berlin's chosen building and, below, the Sainsbury's Grimshaw designed

Berlin picks UK firm to design stock exchange

By Richard Evans



NICHOLAS GRIMSHAW & Partners, the British firm of architects, has won an international competition to design a new stock exchange and communications complex in Berlin, the proposed capital of Germany.

The project, which is expected to be started next year, is complicated by the need to keep the existing stock exchange going while the new one, which is three times the size, is built on the site.

As well as the new exchange with a traditional trading floor, the complex will contain offices, restaurants, exhibition space and conference and other facilities for chambers of commerce and industrial organisations. Offices will be suspended above the trading floor.

The new exchange is part of the trend to make Berlin a much more significant financial centre now that Germany has been reunited.

The contract was won against competition from nine German architects, including six from Berlin, plus one from France and one from Austria.

The schemes will be displayed at an exhibition in Berlin on September 18, when the contract will be signed. The overall cost has not been disclosed.

Award-winning schemes designed by Nicholas Grimshaw & Partners in the UK include the high-tech Sainsbury's supermarket in Camden Town, north London, the international Channel tunnel terminal under construction at Waterloo, London, and the Financial Times printing works in east London.

The project team consists of two directors, Mr Nicholas Grimshaw and Mr Neven Sidor, with, as lead architects, Mr Matt Keeler, Mr Michael Pross and Mr Stefan Camenzind.

OBITUARY

Founder of Racal and trade adviser

SIR Raymond Brown, who died on Thursday aged 71, was an energetic industrialist equally skilled in engineering and marketing, who jointly founded Racal, the electronics company, and worked in both the public and private sectors.

Born in July 1920, he left school at 14 to join Redifon as an engineering apprentice and studied by night at the South East London Technical College and at Morley College.

During the Second World War he was seconded to the government to help install radio navigation beacons for the RAF and decoys for enemy aircraft. In 1949 he moved to Plessey as sales manager of the communications division.

He left in 1950 and with £100 set up his own company to manufacture high-frequency radios, in conjunction with Wing Commander Calder Cunningham. The two men called it Racal, a combination of the first few letters of each of their first names.

The company was floated in 1961, and Sir Raymond remained chairman and managing director until 1966. At his departure dinner he dropped a bundle of keys into the hand of his successor, Sir Ernest Harrison, and said: "It's all yours."

The Labour government persuaded him to leave Racal and help the Ministry of Defence establish a defence sales unit. He worked there for three years and was rewarded with a knighthood in 1969.

He advised the Department of Health and Social Security on commercial policy and exports until 1972.

He maintained his business interests, becoming in 1970 chief executive and managing director of Muirhead, an electronics company which was one of the pioneer manufacturers of fax machines. He served as chairman from 1972 to 1985 and then spent five years as executive director of STC until 1990. He was a director of the National Westminster Bank outer London region from 1978 to 1984.

He is survived by his second wife, two sons and a daughter.

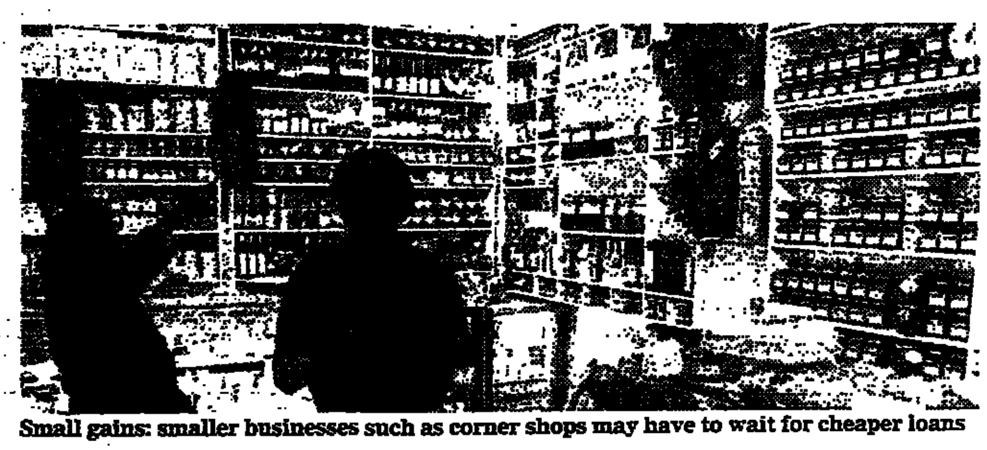
Interest cut may be of little benefit to small business

By Charles Batchelor and David Barchard

THE latest half-percentage-point cut in interest rates is unlikely to have a significant impact on the finances of Britain's small companies.

If the full value of the cut is passed on by the banks it will mean small businesses should save a total of about £150m. Lending to them by the UK banks stands at about £45bn, of which £30bn is at variable rates.

Many businesses will not feel the benefits of the latest cut – the first since Mr Norman Lamont, the chancellor, issued his report on the way the banks treat their small business customers – until the banks deduct interest charges at the end of December. Some may see the reduction neutralised by a bank manager's decision to raise interest charges on the grounds that the business has become a riskier proposition.



Small gains: smaller businesses such as corner shops may have to wait for cheaper loans

Small-business lobby groups such as the National Federation of Self Employed and Small Businesses and the Association of Independent Businesses are pinning their hopes on a further half-point cut around the time of the Tory Party conference in October.

The association believes it will be spring or summer next year before the recent series of interest rate cuts makes an appreciable impact on the cash flow of small companies – and even then much will depend on the strength of any recovery in demand.

The banks insist that the overwhelming majority of their small-business customers will benefit from the cut.

The impact of movements in interest rates – both up and down – is delayed by the way in which the banks implement changes. Most change the daily calculation of interest charges as soon as a change in rates is announced, but they do not bill customers until the end of the quarter.

This means interest charges deducted at the end of September will include only a few days at the lower rate. Customers will not benefit from a full quarter at the lower level until the end of December.

The latest cut in interest rates may also be overtaken by a bank manager's review of a customer's borrowing arrangements. Mr Jim Watson, owner of a pub and restaurant in Margate and Kent regional treasurer for the National Federation, said: "The banks have recently gone from annual to six-monthly and in some cases four-monthly reviews. And of course they charge you for the review."

According to the Big Four clearing banks, recession rather than high interest rates is now the main problem for small businesses.

Mr Andrew Hunter, small-business manager at National Westminster, said: "The principal problem facing the market is obviously recession. Sales and employment are at their lowest level since 1984."

Barclays said late payment by suppliers, the uniform business rate, and the recession are what now caused businessmen most grief.

Interest rates are blamed by 15 per cent , against 29 per cent a year ago, while late payment is quoted by 12 per cent.

The banks believe last summer's controversy about bank charges to small companies has produced changes in the relationship between banks and their customers.

But both the National Federation and the Forum of Private Business reported that members continued to have difficulties in dealing with their banks, with managers raising charges or reducing loan facilities in spite of the chancellor's call for the introduction of bank codes of conduct.

Lloyds said since the furore over charges to small businesses last summer more businesses were in regular communication with their banks over their problems, and managers were spending more time talking to them.

Lloyds and the other banks are trying to produce the customers' charter for small businesses, which the chancellor asked them to produce. Lloyds believes it will have its small business charter in operation by November.

But all the banks admit that real changes in the plight of many small businesses are still some way off and cannot be expected until the economy – and domestic demand – revive strongly.

That looks unlikely to happen, they say, until the spring at the earliest.

Repossessions risk ruin for home-loan profits

David Barchard reports on the difficulties facing mortgage lenders as the tide of bad debt mounts

WHEN HALIFAX, the largest UK building society, with assets of £55bn, announces its half-year figures next week, it will be the bad news on its balance sheet that the market will be looking for.

At the end of last year, Halifax had to put aside £54.6m in provisions on residential mortgage lending that was in trouble. This year's figure is certain to be higher – the half-year figure may well be near the total for the whole of 1990.

Higher bad loan provisions represent a double danger signal for the market. They threaten to erode the profits of a growing number of mortgage lenders this year. They also reflect the degree to which the sale of repossessed homes is itself becoming a factor depressing the mortgage market.

This week Halifax admitted that although it had foreseen the likely number of homes that would have to be repossessed, it had not realised how far the housing market would fall and that it would not be able to recover as much of its money as it expected from forced property sales: hence the higher than expected provisions.

Mr Mark Boléat, director-general of the Building Societies Association, says: "Lenders have got the numbers right for repossession but the amount per case wrong. They are getting back significantly less than they had hoped, and this is affecting provisions."

Halifax will not give figures for the number of homes it has repossessed, merely saying that the figure is commensurate with its mortgage market share of just below 20 per cent.

The seemingly inexorable growth of the numbers of repossessed properties speaks for itself.

In 1989 there were 15,810 homes repossessed, according to the Council for Mortgage Lenders. In the first half of 1990 alone, the figure was 16,560, rising to 27,330 in the second half, and then to 36,610.

That implies that some 50,000 homes might be repossessed in the second half of this year, since at the end of June, according to the CML, there were 59,690 mortgages 12 months in arrears and moving inexorably towards repossession.

Repossession figures do not take lenders by surprise. They know what sort of trouble is coming many months ahead as the number of customers in the six-months arrears and 12-months arrears categories starts to mount up. What is more, in the past, repossessions have tended to continue to grow for many months after the economy has begun to recover.

That means that the UK will face a growing human and social worry over the next year. Mr John Wriglesworth, building society analyst at UBS Phillips & Drew, says: "You could be talking about 100,000 repossessions in 12 months. That is the size of a town like Exeter, or not very far from one in every 10 transactions."

The CML believes a humane way to deal with the issue would be for housing associations to use funds provided by central government to buy up repossessed homes and allow their former owners to remain as tenants.

Some local authorities have implemented the idea, but it is still unclear exactly how much of an impact the CML scheme will have on the overall repossessions picture, which is geographically very varied.

Mr Boléat says: "Repossession is a regional problem. It is most significant in the south-east, though it is a bit of a problem everywhere."

He is doubtful about the idea that repossessions will snowball and cause the depression in the housing market to accelerate. He sees the impact of repossession as one factor that will retard a recovery, which – with interest rate cuts in place – is already overdue.

More immediately worrying for the mortgage lenders is the fear of what provisions will do to their balance sheet.

Mr Andrew Longhurst, chief executive of Cheltenham & Gloucester, the sixth-largest society, says: "I believe that we are going to see massive increases in the provisions made by building societies in their accounts this year."

Mr Wriglesworth says: "The £54.6m in Halifax provisions on residential loans could easily more than double by the year end." Although that is a large figure, it is easily sustainable for a society of the size and capital strength of the Halifax.

Several new lenders – the foreign banks and mortgage specialists that entered the UK mortgage market in the late 1980s – have already suffered severely from bad loans, and some have quietly withdrawn from the market by selling their mortgage portfolios. Some two dozen mortgage portfolios, including names such as Chase Manhattan, have been offered for sale in the past year. Mortgage Express, one of the best known new lenders, has been shut down by its parent, TSB.

The question is whether all the top 20 societies will be able to take these sorts of losses in their stride. At Cheltenham & Gloucester, Mr Longhurst concedes that provisions will be sharply up this year because of lending difficulties inherited from weaker small societies, such as Peckham and Walthamstow, which C&G has absorbed over the past few years.

One result of the squeeze might be that several building societies next year follow the example of Leamington Spa, the 20th-largest society, with assets of £1.46bn, which this year horrified the industry by making the first loss in living memory after heavy provisions against bad mortgage loans.

Although Leamington Spa was in many respects still financially sound and had financial ratios stronger than some banks, it was instantly frogmarched by the industry watchdog, the Building Societies Commission, into a merger with Bradford & Bingley.

If better-known large societies make losses next year, some building society executives believe the first big mergers since the mid 1980s might be forced between large building societies as the industry's weakened giants run for cover.

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Living in hope

THE UK stock market's response to this week's cut in base rates looked a little grudging after the buoyant performance of equities in the holiday season. But that is unlikely to have caused much loss of sleep to the chancellor, Mr Norman Lamont.

For him the more telling reaction will have been in the foreign exchange markets, where sterling remained close to the centre of its fluctuation bands within the exchange rate mechanism (ERM). The pound scarcely twitched in response to the cut, even though the margin between comparable UK and German short-term interest rates has now shrunk to less than 1¼ per cent from a spread of 7 percentage points last October. That leaves open the possibility of further cuts before the general election, whose timing is now the subject of increasingly feverish speculation. But it also raises the question of how far increased convergence between sterling and D-Mark interest rates reflects the enhanced credibility of British monetary policy within the ERM and how far it simply results from the quite extraordinary circumstances surrounding German unification.

The good news, from Mr Lamont's point of view, is that the UK headline rate of inflation looks set to fall below 4 per cent in October, from 11 per cent at the peak last year. That will almost certainly be below the comparable German rate. Yet the retail price index in Britain exaggerates the rate at which inflation is falling, most notably because it includes mortgage interest. A low rate of increase in retail prices is not synonymous with an internationally competitive level of inflation, which is what Britain needs to achieve before it can fulfil its growth potential with the ERM. The more pressing questions concern the rate of increase in UK earnings and unit labour costs.

Earnings growth

So far the slowdown in average earnings growth has been unhurried, to put it kindly. From a peak of over ten per cent last year the figure has fallen to 8¼ per cent – marginally above the comparable figure in Italy and around double the rate in France. But there are signs that the level of settlements in manufacturing is finally beginning to reflect the impact of recession and rising unemployment figures. The Confederation of British Industry reports that settlements in the second quarter of this year had fallen to about 6.5 per cent, compared with 9 per cent at the end of 1990.

Some economists argue that unemployment is now exerting a more powerful restraining influence on earnings because of the lower proportion of long-term jobless in the total. The long-term unemployed are less attractive to employers and less active job seekers, thereby applying less downward pressure on wages than the more recently unemployed.

Structural changes

At the same time changes in the structure of the labour market after the Thatcher decade, including the decline in union power and the decentralisation of pay bargaining, must also have had some effect. A further factor is the different regional distribution of unemployment compared with the recession of the early 1980s, when an overvalued exchange rate penalised exporters north of Watford. The present recession has been driven primarily by a squeeze on heavily indebted borrowers in the corporate and personal sectors, who face real rates of *interest higher than at any* time since the Depression. Many of those borrowers are workers in service industries in the south-east. For them, higher pay may suddenly seem less attractive than job security; many are more mobile than their counterparts in traditional manufacturing industries in the north.

Time will tell; but there is little doubt that unit labour costs are due to fall sharply in manufacturing on the basis of increased productivity following the labour shake-out that is already well under way. Even at unchanged levels of activity this will ensure increased output per head and higher profits for industry next year.

It also provides a measure of support for an equity market that has risen about 30 per cent since the start of the year on the basis of little tangible good news. Yet a sustained recovery cannot be built on labour-shedding. The personal sector will have to regain its confidence and lift consumption before the wheels of the economy turn freely again.

This will no doubt happen in a modest way before the year is out. But the old questions remain. Will very modest recovery and declining mortgage rates be enough to persuade the electorate to put Mr John Major, who is suddenly riding high, back into Downing Street? And will the Germans put a spoke in his wheel by raising their interest rates at a sensitive political moment for the Tories? The capacity of the ERM to spring a nasty pre-electoral surprise should not be underestimated.

Peter Norman asks if the current upbeat economic mood is justified

Optimism in fashion

What a difference a month makes!

A pall of gloom has lifted from the British economy since the beginning of August. At that time, bleak surveys of business opinion from the Confederation of British Industry and the Association of British Chambers of Commerce had eclipsed a modest surge of optimism in July.

Now the pendulum has swung the other way. Optimism is back in fashion, reinforced by Wednesday's surprise half percentage point cut in bank base rates to 10.5 per cent. Consumers have returned from their holidays more confident and there is a growing perception among businessmen that conditions are certainly getting no worse.

Yesterday, as speculation of an early November general election received further impetus from the latest Gallup poll giving the Conservatives a 4.5 percentage point lead over Labour, the prime minister added his own upbeat assessment of the economy.

Mr Major suggested that the economy could be entering a "virtuous circle" as it comes out of the recession. "We are beginning to see the economy turning round," he said in an interview with BSkyB television. "People begin to spend again which means the economy begins to grow."

But what has really changed over the past few weeks? True, there have been some encouraging statistics which suggest that earlier hopes of a recovery may at last be becoming reality. The provisional retail sales figures for July showed a small increase instead of a widely anticipated drop. Housing starts in the three months to July were up on both the previous three months and the same period last year. August car registrations fell less sharply than feared.

But other official figures – notably the money supply and credit statistics from the Bank of England – remain subdued and so far offer little hope for sustained recovery. Although individuals have gone a long way towards cutting their personal debt burdens, the UK corporate sector remains heavily indebted.

The main change over the past month has been in attitudes. One important clue was a sharp move in the economic optimism indicator published by MORI from minus seven in July to plus seven at the end of August. This indicator gives the balance of voters' answers on whether they think that the general economic condition of the country will improve, stay the same or get worse over the next 12 months.

This indicator leads economic activity, according to Mr Robert Worcester, Mori's chairman. He says it also has been an accurate guide to voting intentions, notably in 1987 when it moved from negative to positive in the months before Mrs Thatcher's third election victory.

But if there has been a change of mood – and the accompanying chart contains a cautionary tale by showing how a surge in economic optimism in April this year was not sustained – it has yet to be reflected in the way forecasters view the economy until the end of 1992.

The latest monthly survey of 32 forecasters, published yesterday by Consensus Economics, showed that their average expectation was for a 2 per cent drop in UK gross domestic product this year and below-trend growth of 1.8 per cent in 1992. These findings, based on replies gathered on September 2, were unchanged from those in the previous survey of August 5.

Yesterday, BZW, the City securities house, stuck its neck out and forecast 3 per cent growth in the UK economy next year. But offsetting such optimism, there are several forecasters who argue that next year's growth will be either below or only slightly higher than 1 per cent.

Such divergences are commonplace among economists. But they also highlight the problems of judging Britain's economic future in the still relatively novel environment of membership of the exchange rate mechanism of the European Monetary System.

Only a month remains before the first anniversary of sterling joining the ERM, but it is still unclear how far Britain's economy has adjusted to full EMS membership.

There are some encouraging signs such as the steady monthly drop of 0.25 percentage points in average earnings growth since December. The City expects next Thursday's labour market figures will confirm this trend, with underlying earnings growth slowing to 8 per cent in July from 8.25 per cent in June.

On the other hand, the 736,000 jump in unemployment over the past 12 months shows how the ERM imposes a tough disciplinary framework on a weakening economy.

It is also unclear how far the relative buoyancy of retail sales and exports reflects "real" economic strength in the UK. Mr Peter Spencer, chief UK economist of Shearson Lehman Brothers in London, suspects that growth in these areas could be supply driven rather than demand led, with large scale discounting supporting sales.

There is a good chance, however, that the recession will formally end in the current quarter, if only because increased oil output will boost the industrial production figures. Moreover, the decision of Mr Norman Lamont, the chancellor, to cut interest rates on Wednesday and the calm response that his action met on financial markets has increased the possibility of one further cut in base rates in the weeks ahead as inflation falls.

These factors could set off a virtuous circle, similar to that described by Mr Major, that would prepare the ground for a possible November election. Whether they could prepare the way for a more sustained boost in economic activity is open to question.

Britain's ERM membership means that the traditional UK escape from recession through monetary expansion and currency depreciation is no longer an option.

Seen in this light, Mr Lamont's decision to cut rates this week simply brought forward by a few weeks a move that had been widely built into economic expectations.

Base rates have come down by 4.5 percentage points from 15 per cent since Britain entered the ERM while the key German Lombard rate has risen by 1.25 points to 9.25 per cent. Taking three months money market rates as a guide, the differential between UK and German rates yesterday morning had shrunk to just over 1 percentage point from around 7 per cent.

The narrowing of the differential limits the scope for further rate cuts in Britain. The Bank of England does not believe UK interest rates can fall below German levels in the foreseeable future.

Although the UK's headline inflation rate may drop below the German level this month and is almost certain to do so in October, when the annual rate of UK retail price inflation is expected to be well below 4 per cent, the UK's counter-inflationary credentials are not yet sufficiently well established to allow a crossover in rates. Moreover as the chart shows, economists generally expect inflation to creep up again after hitting a low point in October.

Another half percentage point cut in UK base rates is possible. But further reductions to below 10 per cent would probably have to wait for a decline in German rates. This in turn would depend on Germany's achieving clear control over the inflationary pressures unleashed by unification, which is far from certain at present.

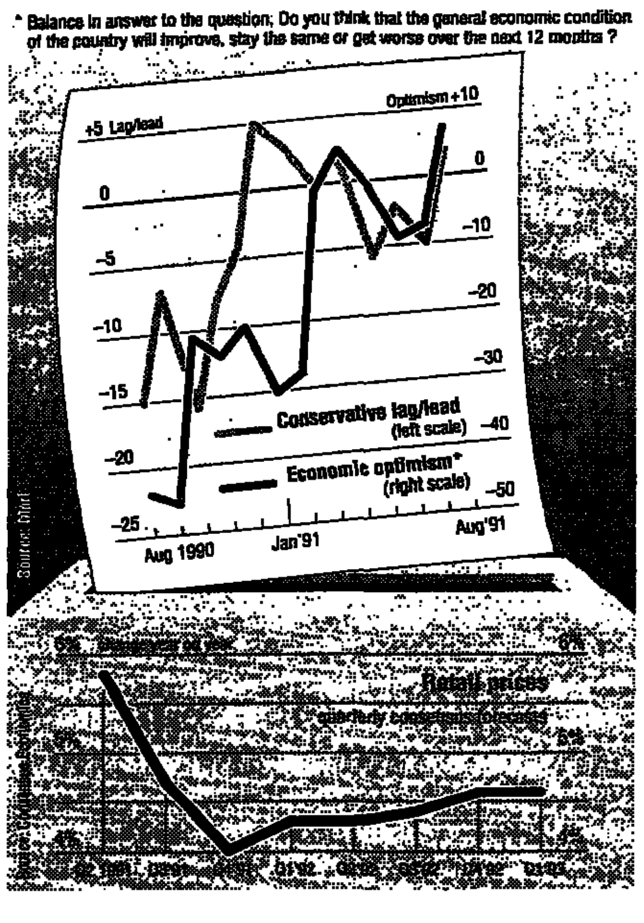
Britain, like other ERM countries, therefore seems set to experience a regime of high real interest rates for some time to come that will restrain economic growth.

The incipient euphoria about the economy will probably turn out to be as misplaced as the deep gloom of a month ago. With the UK firmly established as an ERM member, its economic performance is likely to look more akin to that of its EC partners.

The example of France in recent years suggests steady, unspectacular growth rather than a bounce back from recession. Such a development would lay the foundations for recovery without inflation, which Mr Major has said he wants.

The cost – if the experience of France or the Netherlands is any guide – is a continuing high level of unemployment. A November election could therefore be an increasingly attractive option for the government if signs of economic recovery in the short term are supported by a strong showing in the opinion polls.

* Balance in answer to the question; Do you think that the general economic condition of the country will improve, stay the same or get worse over the next 12 months ?



A shift in the power balance

The Labour party leadership and the unions are testing a new modus vivendi. **John Willman** and **Michael Smith** report

Does what goes on at the Trades Union Congress matter to the Labour party? Delegates to this week's annual congress in Glasgow certainly thought so.

"If it goes well, we might do the Labour party a bit of good," said one at the start of the week. "If it goes badly, we could do it a lot of harm."

The employment secretary, Mr Michael Howard, seemed to agree. He used the first day of congress to launch a campaign with the slogan "The unions used to run the country: now they just run Labour".

Journalists were bombarded with press releases proclaiming fresh outrages – at least one on each day of the congress. His message was that the unions were not the pussycats they portrayed themselves to be. They would revive the old agenda of collectivism and state interference after the election, imposing it on a Labour government.

Union delegates headed home yesterday satisfied that the week's proceedings had left the Labour party relatively unscathed. Mr Howard could be expected to plug away at the continuing exclusion of the electricians' union EETPU from the TUC and the snub delivered to Japanese inward investors whose approach to industrial relations was described as "alien".

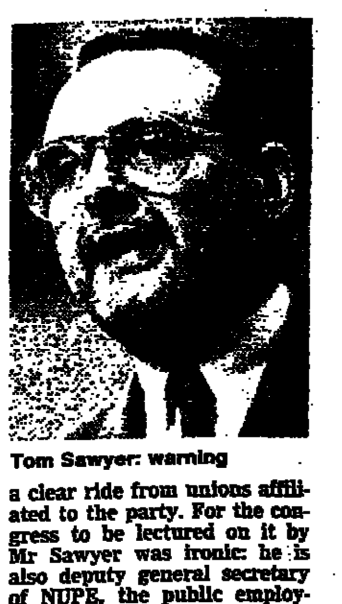
But criticism of the minimum wage policy advocated by the unions and now adopted by Labour appears to have made little impact on public opinion. Whatever the merits of the policy, it seems to be popular: in a MORI opinion poll released by the GMB general union at Glasgow, mentioning the minimum wage converted a majority for the Conservatives into a Labour victory.

Nonetheless, it is clear that the links between the unions and Labour are not popular with voters, even though public approval for unions is now higher than at any time since 1979. But there was some evidence this week that it is now Labour which calls the shots, rather than union paymasters.

One sign came in the address on the opening day of Congress from this year's chairman of the Labour party, Mr Tom Sawyer. He warned delegates of the need to win public support in campaigns to extend workers' rights and improve pay and conditions:

"You want rights for a movement that doesn't say: 'We closed your hospital because we wanted to improve patient care...we closed your school to improve your children's education'."

The need to consider the consumers of public services is now a strong theme in Labour's policy-making, and one which has not always had a clear ride from unions affiliated to the party. For the congress to be lectured on it by Mr Sawyer was ironic: he is also deputy general secretary of NUPE, the public employees' union which played a big role in the strikes of the "winter of discontent" that toppled the last Labour government.



Tom Sawyer: warning

Labour leaders sought to influence the this week's TUC debates more directly. One of the few seriously embarrassing motions was that on Employment Action, a scheme to provide the unemployed with work experience which unions criticise for the low pay and low training content.

Recognising that the decision was likely to be in favour of a boycott, Mr Kinnock's office contacted the leaders of the major unions to ask them to be sure to moderate their language. The request was heeded, and few hostages were given in what might have been an acrimonious debate.

As for the debate on trade union law, the unions now accept what Labour leaders have been telling them for some time: the clock cannot be wound back to 1979. The Conservatives were denied a propaganda coup when the TGWU delegation was persuaded not to vote for Mr Arthur Scargill's motion which called for the Labour party to repeal all anti-union legislation.

Mr Kinnock, a member of the TGWU who has not enjoyed the easiest of relationships with his union in the past, expressed himself well-pleased with the three-to-one defeat of his old adversary.

For much of the 1980s, Labour party leaders relied on the unions to hold the party on an even keel. Union leaders set the agenda, and fended off the hard left activists. Now the balance of power is becoming less one-sided.

Whether the change would last beyond the arrival of a Labour government cannot, of course, be known. Certainly for now there is remarkable unanimity on both sides that the new arms-length relationship is an improvement.

MAN IN THE NEWS

Sir Alistair Frame

Aiming to maintain steel's harder edge

By Charles Leadbeater

It will be the managerial equivalent of closing a blast furnace when Sir Robert Scholey, retires as British Steel chairman next July. Like a blast furnace – huge in stature, weather-beaten, blackened by constant use – Sir Robert has pumped away at the heart of the British steel industry helping to make the former bloated British Steel Corporation into one of the most efficient steel producers in the western world.

His successor, Sir Alistair Frame, though renowned in the mining industry as chairman of RTZ is largely unknown in the close-knit world of the European steel industry.

However competitors and suppliers would be mistaken in thinking Sir Robert's departure will deprive British Steel of its harder edge. Over the next year, Sir Robert, 70, will take considerable relish in tutoring his 62-year-old successor in the ways of an industry which at times seems like a secret society.

Sir Alistair has already proved himself an able pupil. A Glaswegian with a prodigious appetite for cigars, he read engineering at Glasgow and Cambridge universities, before earning a reputation in the 1960s as one of the most brilliant scientists working on the nuclear power programme.

In 1968 he joined RTZ, the international mining and minerals group, rising to become chairman for the six years to this June. He has a high standing among both scientists and City financiers.

That is all very well, but steelmen are almost congenitally unwilling to be impressed by outsiders. They will want to get down to basics: what will Sir Alistair bring to British Steel?

A very different style to top management, for one thing. Sir Robert has gripped the tiller at British Steel for so long, it has been difficult for him to relax and allow other executives to flex their muscles.

Sir Alistair, who will be a part-time, non-executive chairman, has built his management reputation upon close relationships with chief executives.

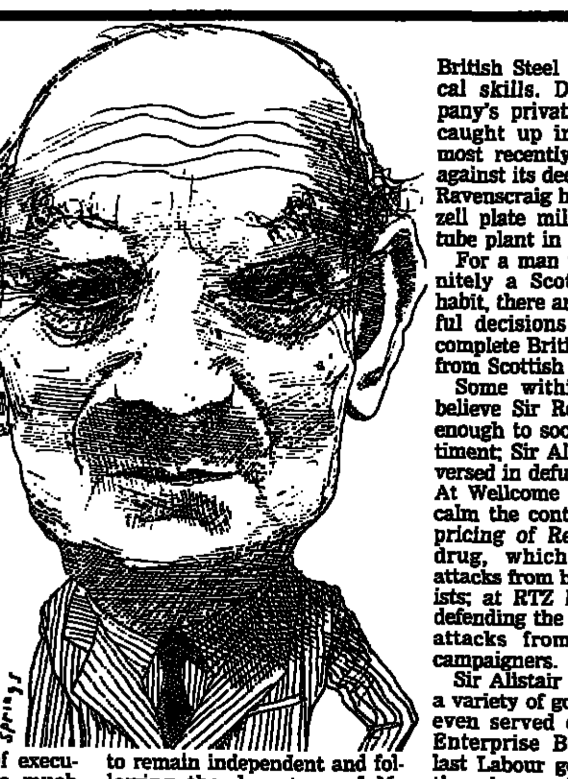
At RTZ in the 1970s he learned how difficult it was to work beneath an autocratic and uncommunicative chairman, Sir Mark Turner. Later, when he became chairman, Sir Alistair's partnership with Sir Derek Birkin, his chief executive, was vital to RTZ's restructuring in the 1980s. Over the past year as chairman of Wellcome, the pharmaceuticals group, he has formed a similar alliance with Mr John Robb, its chief executive, guiding Wellcome's disposal both of its peripheral activities and of its academic culture.

Sir Alistair apparently plans to continue as Wellcome's chairman alongside his new role at British Steel, although a mixed diet of biotechnology and Aids research, vacuum degassers and continuous casters does not seem the most focused of business portfolios.

At British Steel the vital relationship will be with Mr Brian Moffat, the chief executive, who will have a much more significant role than he did under Sir Robert.

Indeed there will be a shift of generation at the top of British Steel this year, with the departure of the last of a group of senior executives who saw the company through rationalisation and privatisation in the 1980s. "Thirtysomething" executives such as Mr Philip Hampton, the 37-year-old finance director, and a clutch of young managers running the general steels, strip products and distribution divisions will gain more responsibility. Sir Alistair favours lean head offices and decentralised responsibility.

He is no soft touch. The most recent evidence of that ruthlessness was his role in the final months of Davy Corporation, the troubled engineering group which he joined as chairman in January last year. Two months ago he pushed through Davy's sale to Trafalgar House in the face of opposition from some directors who wanted it to remain independent and following the departure of Mr Roger Kingdon, the company's chief executive, who had known Sir Alistair since the 1960s.



Sir Alistair is a skilled survivor. Davy had a disastrous final year, beset by legal action over the late completion of large contracts. Yet he left without much blame attaching to him.

Perhaps his most important contribution to British Steel could be in reducing its dependence on the UK. British Steel's managers have been born and bred on the UK steel market. They are largely untried in making acquisitions.

Sir Alistair will bring from RTZ valuable expertise in dealing with foreign business cultures. He capped his career at RTZ in 1989 by buying British Petroleum's worldwide mineral and mining assets for £3.7bn and selling RTZ's chemical division for £568m to Rhône-Poulenc of France.

But business skills will not be enough. The chairman of British Steel also needs political skills. Despite the company's privatisation it is still caught up in political webs, most recently by the protests against its decision to close the Ravenscraig hot strip mill, Dalzell plate mill and Clydesdale tube plant in Scotland.

For a man who is very definitely a Scot in accent and habit, there are still some painful decisions to be taken to complete British Steel's retreat from Scottish steelmaking.

Some within the company believe Sir Robert did not do enough to soothe Scottish sentiment; Sir Alistair seems well versed in defusing public rows. At Wellcome he has begun to calm the controversy over the pricing of Retrovir, its Aids drug, which has provoked attacks from homosexual activists; at RTZ he grew used to defending the company against attacks from anti-apartheid campaigners.

Sir Alistair has worked with a variety of governments – he even served on the National Enterprise Board under the last Labour government. With the change in the political environment following Mrs Thatcher's departure, his wide political contacts should serve British Steel well.

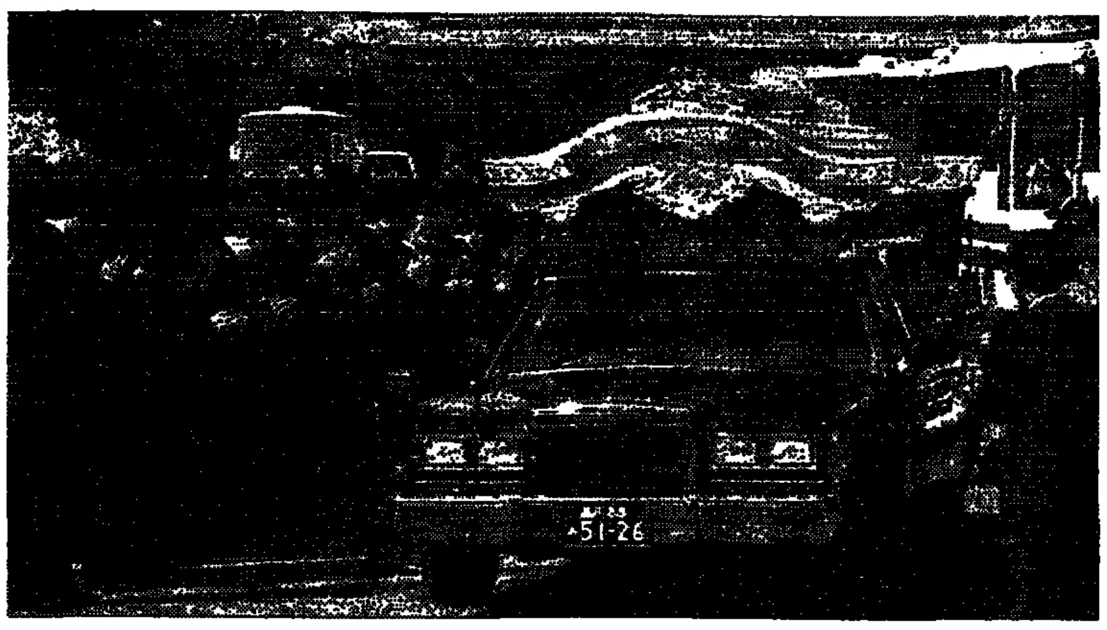
That is not to say he will flinch from embarrassing politicians by telling them, quite publicly, where to get off. In 1979 he resigned from the NEB when Mrs Thatcher transferred control of Rolls-Royce to the Department of Industry.

If British Steel shareholders harbour any doubts about Sir Alistair's appointment, they might be thinking back to events in 1983. In March that year, after long negotiation, Sir Alistair suddenly turned down a job he had been close to taking for weeks – the chairmanship of the nationalised British Steel Corporation – ostensibly because he would not contemplate government interference.

Sir Robert will probably take pleasure in pointing out to Sir Alistair that he is arriving eight years later than planned and after the hard work has been done.

Death of a Don

Stefan Wagstyl on the career of an 'intellectual godfather'



Last prayers for the boss: members of the Inagawakai gang flank the hearse carrying Mr Ishii's body

The family and friends of Mr Susumu Ishii yesterday bid their last farewell in style – 4,000 mourners filed past his coffin at a tranquil temple in western Tokyo.

But this was no ordinary funeral. Just outside the temple gates, beyond the dark suits and bouquets of white chrysanthemums, 500 riot police bore witness to the fact that Mr Ishii, a 67-year-old property dealer and stock market investor who died this week, was also the retired chief of Tokyo's largest gangster group. Officers in shields and helmets kept watch as the mourners came and went in luxury Mercedes limousines.

Of all the secrets which have been exposed in Japan's financial scandals, none is more damaging to the country's international reputation than evidence of dealings between big business and big crime. And few people made use of these links better than Mr Ishii, whose contacts reached as high as the head office of Nomura Securities, the world's largest securities company.

Police said yesterday Mr Ishii's death would not affect their investigation of his links with financial companies. But they acknowledged there were questions which will never be answered following Mr Ishii's demise.

Mr Ishii was known as an "intellectual godfather" among Japanese gangsters, or *yakuza*. He first caught the eye of his bosses by running gambling dens and rose through the ranks of Inagawakai, the largest *yakuza* gang in Tokyo and the second biggest in Japan after the Osaka-based Yamaguchi-gumi. In 1986, he took control of the group, succeeding Mr Kakuji Inagawa, the founder.

According to Japanese newspapers, Mr Ishii directed Inagawakai's resources away from the *yakuza*'s traditional operations in gambling, prostitution, extortion and drugs into legitimate businesses, including property, golf courses and stocks. The boom in Japan's financial markets proved him right.

Mr Ishii's stock market trading goes back to the mid-1980s when he opened accounts at Nomura and Nikko. But he came to the notice of the brokers' head offices only in 1989 when he hatched a plan to corner stock in Tokyu Corporation, a railway and property company.

The brokers have admitted that through affiliates they lent Mr Ishii a total of Y36.2bn (£158.07m) to buy the stock. They have also confirmed they were also among a dozen companies which together spent Y38bn on memberships in Iwama Country Club, a golf course Mr Ishii planned to build.

As reported in parliamentary hearings, police suspect that after Mr Ishii bought 29m Tokyu shares, Nomura recommended the stock to other investors and sent the price soaring. Brokers believe Mr Ishii subsequently intended to try to "greenmail" Tokyu – to force it to buy his stock back. But last year's collapse in Japanese share prices put paid to the plan.

Instead, Mr Ishii turned his attention to Honshu Paper, a leading paper maker, buying shares in large amounts and dealing this time through Nikko, as a former Nikko executive told a parliamentary committee this week. That was before severe illness forced Mr Ishii to retire.

Police, who had been shadowing Mr Ishii for years, finally managed to penetrate his operations earlier this year when he is alleged to have failed to account correctly for a foreign exchange deal. West Tsucho, a company Mr Ishii controlled, bought Asset Management, Financing and Settlement, an American financial services business, for Y720m.

Unfortunately for Mr Ishii, the police probe into West Tsucho discovered links with Iwama Country Club. From there the trail led to Nomura and Nikko and to a host of dealings in finance and real estate. Among other things, the police found a copy of Mr Ishii's stock portfolio, headed by 1.85m shares in Nippon Steel, Japan's largest steelmaker.

Mr Ishii was so successful that other gangsters began to copy him. Last year a company connected to Yamaguchi-gumi cornered stock in Kurabo, a large textiles company, and successfully greenmailed the company. Kurabo confirmed that its affiliates had bought back the stock.

Last year's stock market plunge, the collapse of the land boom and tough responses to the scandals by the authorities have forced the *yakuza* to back off a little from the financial markets.

But tough times create their own opportunities. With credit tight, some investment syndicates are being forced to turn for loans to *yakuza*-related finance companies. *Yakuza* companies have also been sniffing around the assets of bankrupt businesses.

The penetration of Mr Ishii and other *yakuza* into the heart of the financial economy begs the question of why legitimate companies allowed it to happen. After all, *yakuza* remain criminals, with some 80 per cent of their earnings coming from illegal businesses, much of it from drugs, according to police figures.

One reason is fear: gangsters are adept at harassing customers and clients alike. Companies avoid complaining to the police because intimidation is hard to prove under Japanese law. Moreover, even though Japanese murder rates are very low in comparison with the US and Europe, the *yakuza* do not baulk at exacting the maximum penalty even from finance company executives – in 1988 a fund manager who dealt with Yamaguchi-gumi disappeared and was later found buried in concrete.

Also, companies often get drawn into initial contacts with *yakuza* unwittingly. False names and paper companies are widely used in Japan: it is difficult to identify the real villains among legions of tax-dodgers.

Finally, there is a more general question about toleration of gangsters in Japanese society. Gangster groups have traditionally employed many people whom mainstream businesses turned away, including members of the Korean minority and the *burakumin* (a caste traditionally associated with dirty jobs). Gambling and prostitution do not tend to be regarded as the worst of crimes.

Mr Hiroshi Ishizuki, a police chief superintendent dealing with organised crime, denies that Japanese are tolerant of gangsters, saying 3,000 anti-*yakuza* campaign groups exist. The cabinet this year approved Japan's first laws specifically banning certain gangster activities, including extortion.

But the law falls short of what was originally proposed by the police. Crucially, the police will not have the right to confiscate the proceeds of crime, with the exception of drug-related profits – owing to opposition from lawyers concerned about the possible infringement of human rights as guaranteed by the constitution.

So *yakuza* will continue to enjoy the right to make money and flaunt it at events like Mr Ishii's funeral.

Haig Simonian on Benetton's controversial advertising campaigns

The nun, the priest and the baby

Selling clothes or just shocking? A Benetton advertisement

Is it art? A woolly political statement? Shock tactics? Or is the advertising campaign by Italy's Benetton clothing group that is causing a stir in Britain and elsewhere a strictly commercially-driven amalgam of all these things?

Benetton's poster campaigns – some expressing the joys of human brotherhood, others centred on quirkily arresting images, but *none* talking about clothes – have been attracting bemused comment for some time in a number of the 50 or so countries where it advertises.

This week in Britain puzzlement turned into controversy over the company's latest image – a blood-smeared newborn baby, umbilical cord still attached, displayed across the country on full-size roadside posters. The Advertising Standards Authority criticised Benetton on Tuesday for the "offensive" poster; Benetton duly obliged by withdrawing the campaign, but promptly said it would go ahead with a series of magazine ads that may prove as contentious – portraying a white child as an angel and a black child with hair combed into horns.

What is Benetton up to?

In Treviso, the company's northern hillside home, they do not understand the fuss. The bloody baby has caused little trouble in any of the 50 other countries where it is due to run, says Mr Luciano Benetton, its maverick managing director.

Mr Benetton has been the brains behind the company's marketing since its birth in the 1960s; with his brothers Gilberto and Carlo and sister Giuliana, he has presided over Benetton's rise to become one of Europe's biggest clothing concerns, with sales of L2,060bn (£938m) last year and ambitions to double them by the middle of the decade.

And in a sense, the unconventional ad campaigns – the pictures conjuring up racial, or multiracial, themes, the nuns kissing priests, the United Colours of Benetton trademark – express Mr Benetton's personality. His shoulder-length hair may be greying now, but the oval glasses and casual clothes still send the message that he is an "alternative" tycoon.

If he sets the broad philosophy behind Benetton's advertising, it is an outsider who has been increasingly responsible for delivering the images over the last nine years: a freelance photographer named Oliviero Toscani, who works for the company as a consultant and who – thanks to his Benetton ads – has become something of an Italian celebrity.

As Mr Toscani tells it, Benetton wants to do far more than shift more garments through its international store network. It wants, he says, to make people think. "We don't have the arrogance to say our products are the best or the cheapest. The idea is to create discussion."

On the new-born baby picture, Mr Toscani waxes lyrical. Amid so much that is banal, it is pure "generosity" of Benetton to show "real" images like a baby's birth, he declares. The umbilical cord reinforces Benetton's "united" message.

Perhaps so, but images that can shock do have an undeniable side-effect that cannot be without commercial interest to the company: they get it talked about. The baby, the nun and priest and the angel and devil children – just three of this season's six images – have already earned Benetton more publicity than a year's paid advertising put together.

Such is the mixture that has distinguished Benetton from the start, a combination of innovative thinking and steely business sense. There are, in fact, sound commercial reasons for the company to want to depart from the traditional approach of advertising specific products – the main one being its sheer international scope.

To stick to the old ways, the company says, would mean using dozens of models in different countries showing just tiny fractions of its international range, and that would be both boring and ineffective. Using children of varying ethnic backgrounds not only fits the message of equality, but also means the same ads can be used worldwide. And keeping clothes out of the picture avoids the problem of running a global campaign for what are seasonal products. Thus the current campaign works just as well in Sydney gearing up for winter as in Sidcup preparing for spring.

But conveying general "feel-good" messages is one thing; producing shock, deliberately or not, quite another.

Both Mr Benetton and Mr Toscani deny the latest series of ads deliberately sets out to offend. An advert which causes offence in one market can turn out to be a prize-winner in another, they say. They are just as adamant in rejecting accusations of racism, which have come up following publication of the "angel and devil" picture. The UK's Commission for Racial Equality and the Advertising Standards Authority have voiced misgivings about the ad, which has also aroused opposition among some black groups in the US.

Mr Benetton, just back from Tokyo, claims he takes soundings about national reactions before going ahead with a campaign. But as the ASA pointedly remarked on Tuesday, it had advised Benetton's advertising agency in advance not to proceed with the campaign, advice that appears to have gone unheeded.

"I'm sad the trouble arose in the UK, which is notable for its tolerance", says Mr Toscani. Combining the languor of the offended artist with a swipe at Britain's animal-loving reputation, he adds, "maybe if we'd used a cat or a dog, they wouldn't have minded so much".

But do the ads actually help to sell sweaters? The answer is nobody knows; even Mr Benetton cannot say whether the ads are effective in this sense. Mr Toscani denies that has anything to do with the campaign in the first place.

Two things are certain: the ads provoke comment, and they do not hurt Benetton's bottom line. The moment Mr Benetton finds his company's publicity causing sufficient offence to damage sales it will be changed for good.

LETTERS

Euroball idea stands to make soccer resemble the Superbowl

From Mr Paul Steeples.

Sir, I agree with the statement in your editorial ("Spot the Euroball", August 28) that "the interests of consumers, fans and viewers are largely ignored [by the FA's restructuring plans]". Unfortunately, I think your proposed solution will do far more for the latter than the former.

Mr Souness may find it easier to get from Liverpool to Munich than to London, but this is because he can afford to use the quickest route. I doubt that the average Liverpool supporter, unable to afford the air-fare on a regular basis, would necessarily agree with him.

Your proposed European super-league would simply make soccer resemble American football, with no travelling fans and no local derbies (Internazionale v Milan and Real Madrid v Athletico, as well as Liverpool v Everton). That may suit the TV viewer with no real allegiance, but to the real supporter, it has all the allure of a series of pre-season friendlies. Get one of the real fans on your staff (preferably a supporter of one of the teams in the lower divisions) to tell you about it one day.

Paul Steeples,
38 Handforth Road,
London SW9 OLP

Anxieties about Taurus are natural but unfounded

From Mr J S Watson.

Sir, Your "Diary of a Private Investor" article on the new Taurus settlement system ("The hidden costs of Taurus", August 31) was interesting because it illustrated the natural, if unfounded, anxieties about change. There are, however, a number of points which should be made to reassure your readers.

The "beggars of the stock exchange" are investing substantial sums of money in the future of the UK equity market. That money is directed towards the elimination of paper processes which have in the past caused backlogs, delays and errors to the inconvenience of the private investor. London is one of the few equity markets where such paper processes still exist, and the Taurus system will bring the market into line with international standards to the benefit of all investors.

When Taurus is introduced, shareholders' statements from companies or brokers will show the aggregate total of shares in each company. That contrasts with the current situation where a shareholder frequently has several certificates in an individual company, particularly when the company offers scrip dividends.

Some brokers are offering a nominee service ahead of the change to Taurus because their statements will show an investor's holdings in all companies and because they believe they will be better able to help their clients during the two years it will take for all companies to transfer to Taurus. However, the choice is the investor's, and competition between brokers will ensure that those who choose to retain the record of their holdings directly with each company are unlikely to be disadvantaged on price.

The exchange has consistently said that the central costs to brokers will be less under Taurus, but it is the brokers who set their charges for services to clients. Settlement is a small part of a broker's overall costs, and naturally the implementation of the new system requires a capital investment which must be recovered before the benefits can be passed on to clients.

Much of the cost of Taurus arises from the determination of the exchange, its members and the government to incorporate the highest standards of investor protection. Regrettably this does not come free. Stock exchange members are ahead of Mr Goldstein-Jackson. They are already paying to prevent error and fraud and to safeguard their clients if these should occur.

J S Watson,
Taurus project director,
London Stock Exchange,
London EC2N 1HP

Forecasters who rely on hindsight are riding for a fall

From W B Fox

Sir, I liked the headline of your leader "Forecasters flying blind" (August 31), but I feel I must point out the old saying "there are none so blind as those that will not see".

And why did you refer to "august forecasting bodies"? ("Incompetent" would be a more appropriate adjective to use).

You were right when you said that "the 1980s boom was unique in the spread and the size of the increase in indebtedness in the personal and corporate sectors of the economy, and the run-down in personal savings".

You are, however, using hindsight; it was mainly an appreciation of this factor which led me in October 1987 to forecast the "Black Monday" equities crash.

You were also correct in stating that "levels of debt remain at unprecedented levels", and that it was this factor which has inhibited the economy from responding to interest rate cuts as in earlier economic troughs.

But again you are using hindsight. (Hindsight enabled me six months ago to predict a terribly slow recovery from recession.)

It was also the tremendous level of debt which enabled me to ridicule Mr Nigel Lawson's "it's only a blip" speech about inflation (when he made it).

The same factor now – to which must be added increasing public debt – leads me to cast doubt on the optimistic forecasts being made about the 1992 inflation figures.

Watch out, too, for a big fall in the FT 100 Index in the next three months!

W B Fox,
1, Bradley Park Road,
St Marychurch,
Torquay.

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Chief business of think tank is to propagate and develop free-market philosophy

From Mr John Murray.

Sir, Philip Stephens ("End of ideology's golden age", August 31) wrote of "the determination of the old guard at the Institute of Economic Affairs (IEA) to protect the eternal truths of Thatcherism".

That reveals a misunderstanding of the relationship between Margaret Thatcher and the IEA.

When the late Sir Anthony Fisher created the IEA and made the inspired selection of Ralph Harris and Arthur Seldon to run it, he aimed only to propagate the free-market philosophy of Adam Smith, as updated by Professor Hayek and brilliantly applied by Ludwig Erhard, chief architect of Germany's post-war economic recovery.

These works antedate Thatcherism. Mrs Thatcher did not recommend Professor Hayek for the Order of Merit because she thought he was a good Thatcherite. Rather it was in recognition of the immense contribution which his scholarly elucidation of free-market theory had made to all political discussions; elucidations beneficially absorbed by the Labour party, Mr Mikhail Gorbachev, Mr Boris Yeltsin and the communists of Beijing, to name but a few non-Thatcherites.

The men who created and developed free-market theory were concerned to improve the wealth of nations, just as the men who created and developed the internal combustion engine were concerned to improve the mobility of nations.

Neither group had political intent, though both were naturally pleased when any political party recognised the social utility of their creation. Since its inception the IEA was similarly apolitical, recognising that any other position would have been incompatible with its scholarly role.

In choosing Mr Mather to take over from the scholarly triumvirate of Lord Harris, Arthur Seldon and John Wood, the IEA trustees took a risk. Mr Mather is a former Conservative parliamentary candidate and recently ran the "bosses trade union" the Institute of Directors.

It was incumbent on Mr Mather to demonstrate that his manifest personal political convictions in no way eroded the reputation for scholarly impartiality which his predecessors had established and which is essential to the IEA's future success. He has not succeeded in doing this. Indeed, to some concerned observers, he seems to be rushing to deserve that designation of the IEA as a "right-wing think tank" which Mr Stephens himself used.

Mr Mather is an able man and could do the IEA much service. But if he seeks to be an "*eminence grise*" of the Conservative party – conveying the impression in his dealings with the media – then he and the IEA trustees must consider whether his personal ambitions are reconcileable with the best interests of the IEA

Certainly many supporters have been greatly perturbed by the manner in which the IEA role has been debased into a public wrangle about whether it is Thatcherite or Majorite. And according to Mr Stephens, Mr Mather's friends have been putting about cheap smears accusing the two esteemed founder-presidents of the IEA, Lord Harris and Arthur Seldon, of being stuck in a time-warp which demands that "you need a funny moustache, a brightly coloured waistcoat and a reputation as a rebel to run a think tank".

If this is the manner in which future IEA debate is to be conducted then I must echo Samuel Goldwyn: "Include me out". I will not be alone.

John Murray
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Laburnum Avenue
Lytham St Annes
Lancs FY8 4LH

UK COMPANY NEWS

BTR attacked over 'picking and choosing' approach

By Roland Rudd

THE ACCOUNTING Standards Board yesterday criticised the approach taken by BTR, the UK industrial conglomerate, in picking and choosing from its new accounting standards. It said its proposals should be taken as a whole and not piecemeal.

BTR raised its taxable profits in the six months to June by including the £90m gain from the recent disposal of its Pretty Polly hosiery business.

By taking the profit above the line, BTR showed a 1.2 per cent increase on last year's interim profits, adjusted for currency movements, to £512m. If the impact of the disposal were taken out, the pre-tax figure was down 11.2 per cent.

Miss Kathleen O'Donovan, finance director, said: "Taking disposals above the line is within the new accounting climate. Companies are now going in that direction."

Under the ASB's proposals the distinction between extraordinary or exceptional would in effect be removed, and almost all unusual costs or revenues would have to be taken above the line, affecting earnings per share.

Professor David Tweedie, ASB chairman, yesterday told the *Financial Times* that the whole point behind his proposals was that there should be no item above the line that could artificially inflate the profits from one year to another.

He explained that his proposals taken as a whole were designed to ensure that there would be nothing above the line which had to be scrutinised. He said: "The problem at the moment is that companies take the good things, like disposals above the line, and the bad (like restructuring costs) below the line.

"It sounds to me as if BTR are taking the best from the proposals, and leaving out the bits they don't like. A case of cherry picking."

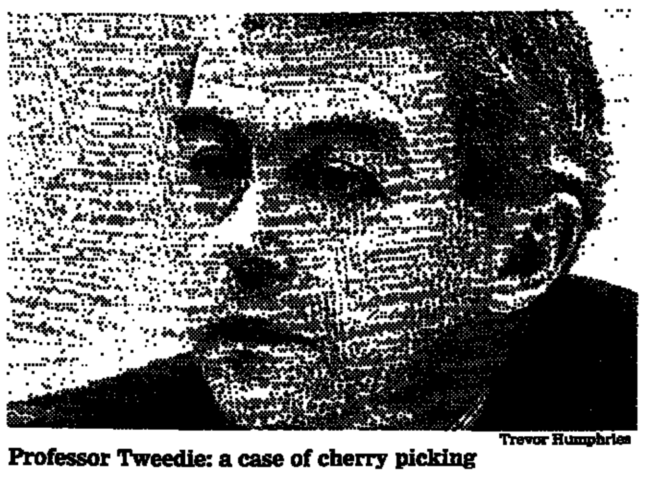
BTR was criticised by analysts for acquiring Polly Peck's hosiery business under one set of accounting practices and then disposing of it under another. However, Miss O'Donovan stressed that taking the gain from the disposal above the line was within accepted accounting practices.

Professor Tweedie made it clear that while he had not seen BTR's accounts, the new accounting standards were designed to prevent, not allow, a company to increase profits from a one-off item.

Apart from taking all transactions above the line, companies would also be expected to give much more detail about the nature of its profits.

Professor Tweedie said: "Under our proposals companies would also have to show if the profit and loss account was affected by any unusual items associated with the business.

"They would also be expected to give shareholders all the information needed for them to be able to know what the business should be making the following year if nothing out of the ordinary happens."


Trevor Humphries
Professor Tweedie: a case of cherry picking

CLF Yeoman suspended as bank loan talks fail

By Norma Cohen

SHARES IN CLF Yeoman were suspended yesterday and the company said it had been unable to reach agreement with its banks to restructure £39m in loans. It is in talks with its advisers over its position.

The Irish leasing company said it has been unable to sell its CLF Holdings subsidiary, which it bought in December 1988 for £88.1m, and had decided the holding now had no value. The company has been trying to sell its CLF subsidiary since December last year.

The loans were part of the £93m in debt incurred when Yeoman, a leasing group based in Dublin, bought CLF, a small ticket leasing company with operations in the UK and France.

At the suspension price of 30p the company is capitalised at £16.3m.

In August 1990, CLF Yeoman brought legal proceedings against SG Warburg and the law firm Linklaters and Payne, which advised it on the purchase of CLF. The company sought to recover £60m.

Yeoman refused to pay Linklater's fees and asked for a return of fees paid to Warburg. It said its advisers should have alerted it to potential problems in one of CLF's subsidiaries, Technology for Business, which incurred a £12m loss soon after the acquisition.

Boardroom upheaval continues at Greencore over disclosure

By Peggy Hollinger

THE GREENCORE shareholding scandal was close to claiming its second casualty yesterday as the board asked Mr Michael Tully, the company secretary, to reconsider his position.

Mr Tully would be the second senior executive to quit Greencore, one of the Republic of Ireland's leading agribusinesses, in less than a week. The board is believed to be reviewing the position of at least one more senior executive.

Mr Christopher Comerford, chief executive and 28-year veteran of the company, quit on Wednesday following allegations in the Irish press of his undisclosed interest in a company acquired when Greencore was fully under state control.

Greencore – now 45 per cent owned by the state – was floated on the Irish stock market in April this year, the first big sell-off in the government's informal privatisation programme. The affair has cast a cloud over those plans however, and a review of disclosure rules is almost certain to be carried out before further sell-offs.

In Greencore's flotation prospectus, there was no mention of Mr Comerford's alleged indirect beneficial interest in Sugar Distributors (Holdings), the sugar distribution company.

SDH was bought outright by Irish Sugar, as Greencore was known before flotation, in February 1990.

It has now been alleged that the beneficial interest was not held by Mr Comerford – who has in court stated that he was the beneficial owner through a holding company called Talmino – but by his adult children. Official sources said yesterday that although technically this would clear Mr Comerford of commiting any regulatory breach, there were still questions to be answered.

The affair has kept Ireland's financial and political communities in a state of turmoil for the last week as the intricacies of share dealings in SDH have come to light.

In 1975 Irish Sugar bought a 51 per cent stake in SDH. The remaining 49 per cent was held by two food distribution companies and two SDH executives – Mr Charles Garavan and Mr Thomas Keleghan.

SDH was Irish Sugar's sole marketing arm, and, in the words of one Dublin analyst, became the powerhouse of its growth during the 1980s. In the year to September 1989, SDH had turnover of about I£100m compared to Irish Sugar's I£216m.

SDH was responsible for all of Irish Sugar's sugar sales in the Republic and in Northern Ireland. By 1990, sugar accounted for two-thirds of Irish Sugar's total group profits of I£21m.

In March 1989, a holding company called Gladebrook bought the 49 per cent of SDH for I£1.6m cash and I£1.6m in dividend payments. Gladebrook was partly owned by four SDH executives – Mr Garavan, Mr Keleghan and Mr Charles Lyons – each with 21.51 per cent – and Mr Tully with 11.22 per cent. Jersey-based Talmino held the balance. Mr Comerford is currently disputing the ownership of Talmino.

Eleven months later, that same 49 per cent was sold to Irish Sugar for I£8.6m in loan notes payable to Mr Tully, Mr Keleghan, Mr Lyons, Mr Garavan, and Talmino. The four executives disclosed their interests to Irish Sugar at the time.

Mr Richard Hooper, of Investment Bank of Ireland and adviser to Irish Sugar's purchase, maintained yesterday that Irish Sugar had paid a fair amount. "The company's profits during those 11 months increased by 2.5 times," he said.

However, official sources have suggested that such a large return on the executives' original investment should raise questions regarding the contractual relationship between SDH and Irish Sugar.

NEWS DIGEST

Time buys Apollo Watch

TIMES PRODUCTS, the watch distributor, has bought Apollo Watch Products, a watch strap maker in a deal worth £1.52m. Time is offering 3p a share with a 1-for-80 deferred share alternative.

Most of Apollo's directors are recommending acceptance of the cash offer and have accepted in respect of 71.4 per cent of the capital.

Time has made the offer on condition that Apollo's principle bank should contribute to its recapitalisation, providing significant funding, and that Mr William Pollock and Mr Julian Pollock, Apollo's controlling shareholders, should retain an equity interest for at least five years.

Beazer flotation plans next week

Beazer, the heavily-borrowed construction and building materials group, is expecting to publish on Wednesday the pathfinder prospectus providing details of its plans to float its UK-based housebuilding and contracting businesses.

The group, which also has extensive US building materials interests, needs the money to reduce borrowings of about £1bn. The sale will create a new publicly-quoted company to be called CHB. The price of the new shares will be established at a later date after the pathfinder prospectus has been published.

Gibbs and Dandy £311,000 in red

The continuing slump in building activity resulted in interim pre-tax losses of £311,000 at Gibbs and Dandy, the builders merchant, against £15,000 last time and £407,000 in the second half of last year. Mr John Dandy, chairman, said he could see no sign of improvement.

Turnover fell 12 per cent to £11.6m (£13.2m) for operating profit lower at £65,000, against £292,000.

There was an extraordinary charge this time of £140,000 (£119,000 credit) relating to the loss on the sale of property.

There was an exceptional charge of £78,000 for redundancy costs and interest payable of £298,000 (£307,000). *Losses per share were 3.3p (0.1p).*

Delaney moves deeper into red

Losses at Delaney Group, the furniture maker, retailer and shopfitter, increased from £524,000 to £646,000 pre-tax in the first half of 1991, on sales down 12 per cent at £11.1m.

Extraordinary charges of £131,000 (£228,000) were incurred in the pursuit of a prospective acquisition which, due to market conditions, has had to be deferred. Losses per share were 1.2p (2.3p).

Mr Nathu Puri, chairman, said that while activity levels were still at a low ebb, remedial actions in the furniture division had taken effect, and losses were being stabilised. Year-on-year sales fell by 9 per cent.

Auto sales slump hits Laird

By Richard Gourlay

LAIRD, the car parts, plastics and building products group, yesterday reported a 33 per cent fall in profits as the recession hit auto sales.

Pre-tax profits for the six months to June fell from £21.58m to £14.36m on sales marginally higher at £255.7m.

The costs of simultaneously opening two new auto sealing system plants in Germany and Spain and redundancies took £2.5m off profits already hit by lower car sales in France, the UK and the US.

Earnings per share fell from 13p to 8.6p, but the interim dividend is maintained at 4p.

Mr John Gardiner, the chairman, said model launches for the new Golf Volkswagen and Opel Kadett, which will both have been launched by November, will boost profits from rubber door seals in the German market, where Laird is the largest supplier.

Trading profits in sealing systems fell from £10.2m to £6.7m, while in industrial products which are also mainly auto-related, they fell from £8m to £6.3m.

Profits were unchanged at £5.3m in the non-auto part of the group, which accounts for 45 per cent of sales.

The group still faces a high 42 per cent tax charge as profitability in the UK, which accounts for 20 per cent of group sales, has been hit by the recession.

● **COMMENT**

After a sometimes unhappy journey through a string of old-fashioned engineering industries, Laird is on an altogether rosier track. The auto industry may cause shivers in the UK, but Laird's experience elsewhere in Europe has been enviable. With the two big German car launches, which will increase volume and eventually margins, the group has at least two excellent years growth ahead of it. The only question is whether the market may have already over-egged the share price. A full-year profits forecast of £28.5m, giving earnings of 17p, leads to a prospective multiple of 16 times. Even with little economic recovery the introduction of the new Kadett and Golf models should lead to profits of at least £36m, giving earnings of 22p.

Palmerston tumbles to loss of £2.68m

Palmerston Holdings, the property group, fell from profits of £3.65m to losses of £2.68m pre-tax in the year to March 31.

Mr Philip Rose, chairman, however, said he believed that the worst was over for the company and, as a result, a final dividend of 0.1p was recommended for a total of 1.75p, compared with 8.775p last time.

Rent and receivable charges rose to £8.7m (£6.94m), though property outgoings were up at £4.19m (£2.53m), and the profit on the disposal of investment property and property trading fell sharply to £3.67m (£8.17m). The share of deficits from associated companies jumped to £2.23m (£181,000).

Losses per share emerged at 12.4p (earnings 12.8p).

Alexandra shares fall over 10% on break-even warning

By Jane Fuller

THE SHARE price of Alexandra Workwear, a maker and distributor of work clothes, fell more than 10 per cent yesterday after the company warned that it had only broken even in the first half of the year.

The slump in performance compares with £4.1m pre-tax in the 28 weeks to August 18 last year, although the deterioration was already clear in the second half when only £2.5m was added.

Alexandra said summer trading had been lower than expected in the UK and France. Pre-tax profit would also be hit by a £1.5m exceptional charge for closing a Scottish factory, including provision for more than 300 redundancies.

For the year as a whole, analysts' forecasts had already been cut from more than £6m and the latest downgradings are to roughly £1m.

Mr Julian Budd, finance director, said that apart from the exceptional costs, the profit drop was related to a cut in volume. He admitted the group might have been unduly optimistic in believing it was recession-resistant.

The difficult trading meant that the reduction of £16m year-end debt had been slowed down. Gearing was likely to fall to 60 (69) per cent by next February, whereas 50 per cent had been hoped for. Considerable progress had been made on cutting stock by £6m and capital spending would only amount to £500,000 (£6.5m).

The share price closed down 16p at 137p, close to this year's low of 128p. Two directors, John and Mary Prior, sold *shares at 175p last October.*

Robt Douglas shares fall on approaches

By Andrew Taylor,

The share price of Robert M Douglas, the Midlands-based contractor, yesterday rose 10p to 533p, after the group announced that it had received approaches from several companies.

The group last month revealed that it had received an approach which might lead to a bid for the business.

Mr John Douglas, chairman, said yesterday that these talks had terminated but other discussions were continuing.

The group at last night's closing price was valued at £83m. The share price compared with a peak of 545p just after the first bid approach was announced, and a low of 295p in January.

Pre-tax profits fell from £12.4m to £11.1m during the 12 months to end-March.

Perry drops 50% to £1m

By Peggy Hollinger

A SHARP downturn in the new car market cut interim pre-tax profits at Perry Group, the leading UK motor vehicle retailer, by 50 per cent to £1.1m.

Turnover fell just 11 per cent to £154.1m in the six months to June 30. New car sales, which accounted for 50 per cent of turnover, came to 7,642. However, Mr Richard Allan, chairman, said no operating profit was made in this area. "There were too many cars chasing too few customers," he said.

Mr Allan said that, in future, Perry intended to reduce its dependence on Ford dealerships. Ford has suffered a steadily declining share of the UK new car market which is forecast to fall from 2m in 1990 to about 1.5m in 1991.

Mr Allan said that all parts of the business, with the exception of new cars, had performed satisfactorily. Used car sales rose by 15 per cent, while the repairs and parts businesses were strong.

Earnings per share dropped to 4p (7.9p), but the interim dividend was held at 2.75p.

Weinstock to stay on at GEC

By Michael Skapinker

LORD WEINSTOCK has no intention of stepping down as managing director of the General Electric Company, shareholders were told yesterday.

Suggestions that Lord Weinstock, 67, might retire had helped boost GEC's share price from its opening level of 194p last Monday to 201p by the close on Thursday.

Lord Prior, chairman, told GEC's annual general meeting: "The directors are unanimous in their support for Lord Weinstock and his team." GEC's shares closed at 199p yesterday, down 2p.

Mr Simon Weinstock, Lord Weinstock's son, was re-elected a director with only one dissenting vote. Lord Weinstock has said he would like his son to succeed him.

There was no direct criticism of Lord Weinstock from the meeting, although several shareholders complained about the performance of GEC's shares. One asked why the share price only rose when it was rumoured that senior figures might step down.

Lord Prior said that during the first four months of the current year, profits were marginally higher than the same period last year on a similar level of sales.

He said the group was disappointed that its joint bid with British Aerospace to manage production of new helicopters for the Royal Navy had been rejected in favour of one from IBM of the US and Westland, the UK-based helicopter manufacturer. Lord Prior said GEC still expected to play an important part in the project as a sub-contractor.

Akzo buys Macpherson

By Ian Hamilton Fazey, Northern Correspondent

AKZO, the Netherlands chemicals group, has bought Macpherson, the paint company, from Tikkurila of Finland, joining Crown Berger as the equal second largest coatings concern in the UK,after ICI.

The price is believed to be about £40m. Tikkurila, part of Kemira Oy, the nationalised Finnish chemicals operator, paid £25m for Macpherson in the mid-1980s, against competition from Beckers of Sweden and Yule Catto, in order to gain a foothold in the UK.

Akzo, which bought Blundell Permoglaze and Sandtex for similar reasons, will double its UK presence to about 1,500 employees.

Macpherson, best known as Woolworth's paintmaker, also owns Valspar, which it bought from Beckers.

Akzo claimed the purchase would give it about 20 per cent of the market, the same as Crown Berger, with ICI holding about 30 per cent, although sales to the fragmented trade painting sector are difficult to measure.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amt Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price p	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
25	F.P.	–	39½	29	‡Airbreak Leisure 5p	36		u1.75	1.8	6.5	9.3
r	F.P.	–	110	105	Capital Ventures Lp	110		–	–	–	–
4	F.P.	–	9½	4½	Culver Lp	5½		–	–	–	–
–	F.P.	–	320	213	Eurotunnel '91 Wrnts	253	–2	–	–	–	–
100	F.P.	–	110	105	Gartmore Scotland Inc.	109		M11.6	–	14.2	–
100	F.P.	–	98	85	Do. Capital	97	+1	–	–	–	–
–	F.P.	–	£650	£605	Do. Units	£638		–	–	–	–
146	F.P.	–	162	148	Irish Life Ir10p	162	+2	HQ102%	–	5.6	–
100	F.P.	–	107	101	Kleinwort High Inc. 5p	106		M7.5	–	9.4	–
§290	F.P.	–	323	297	Lowndes Lambert 5p	320	+1	L11.5	1.9	4.8	15.0
100	F.P.	–	105	101	Murray Split Income 10p	104		M10.58	–	13.6	–
100	F.P.	–	100	96	Murray Split Tst. Cap 10p	96		–	–	–	–
–	F.P.	–	2550	2520	Do. Units	2550		–	–	–	–
11	F.P.	–	47	47	Scottish Value Trust	47		a1.8	0.8	5.1	34.6
50	F.P.	–	54	47	‡Simpsons of Cornhill 5p	47		–	–	–	14.6
1	F.P.	–	½	½	‡Stanelco 1p	½		–	–	–	–
100	F.P.	–	105	100	US Smaller Cos.	105		–	–	–	–
100	F.P.	–	36	23	Do. Warrants	36		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
100	F.P.	-	100	98½	Camborne Inds. 10½pc Rd Deb. 2001	98½	
100	F.P.	-	90	79½	Claytithe 9½pc Cnv Ln 2000-01	79½	
100p	F.P.	-	111p	104¼p	Gartmore Scotland Zero Div Prf	111p	+½
100p	F.P.	-	109½p	102½p	Kleinwort High Income Zero Div Prf.	109½p	
102½p	F.P.	-	108p	103p	Murray Split Cap Tst Zero Div Prf 10p	108p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
50	Nil	–	16pm	1½pm	‡Applied Holographics 5p	1½pm	
10	Nil	–	2pm	1½pm	Benson Group 2.5p	1½pm	
225	Nil	–	27pm	6pm	Capital & Counties	8pm	
31	Nil	–	5pm	3pm	Kleen-E-Ze	3pm	–1
25	Nil	–	3pm	½pm	Mayflower Corp. 5p	½pm	
20	Nil	–	3pm	2pm	‡Pelican 20p	2pm	
39	Nil	–	11pm	4pm	Try Group 10p	11pm	+2

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings	Aug. 19	For rate indications see end of London Share Service
● Last Dealings	Sept. 6	Calls in Barratt Devs., Burton, Emess, Ratners and Strong & Fisher.
● Last Declarations	Nov. 21	
● For settlement	Dec. 2	

All the ingredients of a soap opera boardroom fight

Raymond Snoddy talks to James Gatward and hears his version of the storm in TVS' cup

MR JAMES Gatward, founder and former chief executive of TVS Entertainment, yesterday accused the television company of over-paying in an attempt to retain its franchise.

TVS, which holds the ITV franchise for the south and south-east of England, announced last month that it had bid £54.1m in current prices – nearly £60m in the 1993 prices required for the competitive tenders for new 10-year franchises.

"I find the level of the bid totally incomprehensible," said Mr Gatward, who was centrally involved in the preparations for the franchise bid before he was dismissed in February by Mr Rudolph Agnew, the new TVS chairman.

"To be apparently prepared to over-pay for the licence by some £200m of shareholders' money [over 10 years], an action not pressured by the recession in any way, shows a lack of judgment which should at the very least have been thrown out by shareholders," said Mr Gatward.

He was speaking for the first time since his abrupt dismissal by Mr Agnew, the former chairman of Consolidated Goldfields.

Mr Gatward, who rose through the ranks of the television industry from being a stage-hand at the BBC to a director of 1960s hit series such as The Troubleshooters, thinks that key decisions at TVS are now being taken by people with little experience of television.

He believes that the assumption underlying TVS' business plan (a confidential and separate part of the application for the licence) that it will have real annual advertising growth of 5.7 per cent between 1993 and 1997, is too optimistic.

The former chief executive says that the Independent Television Commission, the industry regulatory body, now faces a difficult decision: how to judge what he believes could be "a marginal business plan" put forward by TVS to justify its high bid.

The troubles of Mr Gatward and TVS date from the $320m acquisition in July 1988 of MTM, the US independent production company responsible for programmes such as Lou Grant, Hill Street Blues and, more recently, the award-winning Evening Shade which stars Burt Reynolds.

Soon after the acquisition the US syndication market went into decline and at the same time buyers started to prefer half-hour shows rather than MTM's stock in trade – one hour programmes.

MTM's resulting financial problems led to TVS' announcement in May of pre-tax losses of £8.3m, a suspension of the dividend payments and the writing-off of the US investment.

Mr Agnew failed to find anyone willing to buy MTM for about $70m and withdrew the company from the market. TVS' share price has gone from a high of 345p to its present 28p, almost certainly less than its break-up value.

Mr Gatward concedes that he may have over-paid for MTM but insists that no-one could have forecast the recession in the US industry and stands by the strategic decision to buy the company. Indeed, MTM could yet become a considerable success, Mr Gatward believes, if WKRP in Cincinnati, a new programme which begins broadcasting in the US this month turns out to be a hit. However, other former TVS executives believe the problems of MTM were foreseeable and claim to have warned against the acquisition.

It is believed that TVS' French shareholders, Canal Plus and Compagnie Générale des Eaux, led an attempt in November to oust the chief executive, though yesterday Mr Gatward declined to comment on that.

In December when Mr Agnew was appointed chairman, Mr Gatward was forced to step down as chief executive of the group to become executive chairman of TVS Television, following a fierce day-long board meeting. During the meeting the company's advisers, Schroders and Kleinwort Benson, threatened to resign unless Mr Gatward relinquished control.

He kept his £250,000 annual salary package which had earlier been increased to reflect his chairmanship of MTM. Consequently his dismissal on Monday February 11 at a meeting with Mr Agnew came as a complete surprise.

On the previous Friday Mr Gatward had stayed late at the office working, at Mr Agnew's request, on a stategy paper on the future of TVS. The paper argued for the need for further top management changes.

Mr Gatward says that on Monday he was told by Mr Agnew: "The whole board is behind me. We are summarily dismissing you."

When asked why, Mr Gatward says Mr Agnew replied: "Because you are greedy and you like living high on the hog." Mr Agnew also said that Mr Gatward was not a team player.

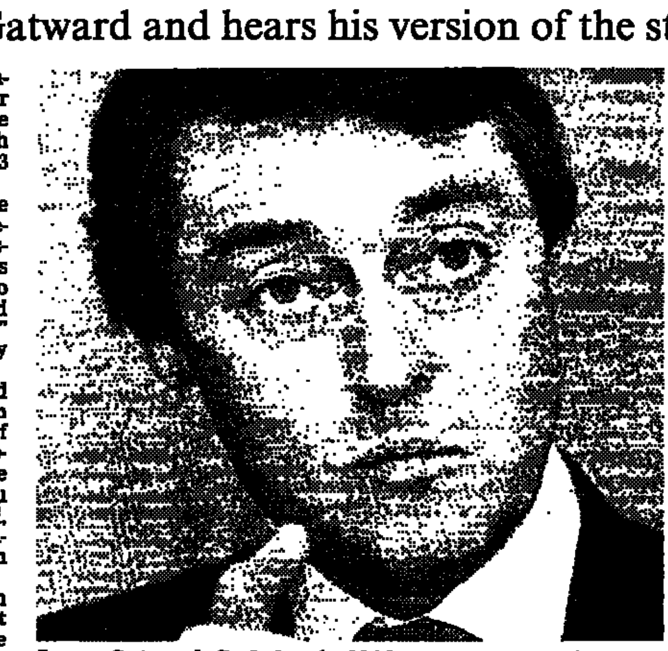
"It was a jolt. I had taken the smack on the face – the demotion – but I was not prepared for dismissal," says Mr Gatward. However he did accept a £400,000 pay-off.

Mr Agnew has since privately said that one reason for Mr Gatward's dismissal was the suggestion in the strategy review that other senior executives should eventually be replaced.

Last week at an extraordinary general meeting to approve a capital restructuring of TVS, Mr Agnew attacked what he described as ill-informed criticism of the TVS advertising assumptions. Advertising, he argued, bounces back rapidly after a recession – there was an 18 per cent rise in real terms in the two years following the 1974 recession.

He got support for a £30m package to underwrite the bid which will bring in Time Warner and Associated Newspapers as new shareholders.

For TVS the stakes are high. The deal is dependent on the company retaining its franchise.


James Gatward: finds level of bid incomprehensible

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 07.09.91: Pool purchase price £/MWh	Final Prices for Trading on 10.8.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.17	16.94	18.72
0100	[illegible]	[illegible]	18.75
0130	[illegible]	[illegible]	15.60
0200	[illegible]	[illegible]	15.50
0230	[illegible]	[illegible]	16.50
0300	[illegible]	[illegible]	15.50
0330	[illegible]	[illegible]	15.49
0400	[illegible]	[illegible]	15.49
0430	[illegible]	[illegible]	15.46
0500	[illegible]	[illegible]	15.46
0530	[illegible]	[illegible]	16.60
0600	[illegible]	[illegible]	15.60
0630	[illegible]	[illegible]	15.50
0700	[illegible]	[illegible]	16.63
0730	[illegible]	[illegible]	15.64
0800	[illegible]	[illegible]	16.09
0830	[illegible]	[illegible]	19.42
0900	[illegible]	[illegible]	19.97
0930	[illegible]	[illegible]	19.98
1000	[illegible]	[illegible]	21.77
1030	[illegible]	[illegible]	21.77
1100	[illegible]	[illegible]	21.77
1130	[illegible]	[illegible]	19.99
1200	[illegible]	[illegible]	19.99
1230	[illegible]	[illegible]	19.99
1300	[illegible]	[illegible]	19.42
1330	[illegible]	[illegible]	19.42
1400	[illegible]	[illegible]	19.43
1430	[illegible]	[illegible]	19.15
1500	[illegible]	[illegible]	18.80
1530	[illegible]	[illegible]	18.80
1600	[illegible]	[illegible]	18.80
1630	[illegible]	[illegible]	18.80
1700	[illegible]	[illegible]	18.79
1730	[illegible]	[illegible]	18.79
1800	[illegible]	[illegible]	18.79
1830	[illegible]	[illegible]	18.79
1900	[illegible]	[illegible]	18.79
1930	[illegible]	[illegible]	16.09
2000	[illegible]	[illegible]	18.79
2030	[illegible]	[illegible]	18.80
2100	[illegible]	[illegible]	21.57
2130	[illegible]	[illegible]	21.56
2200	[illegible]	[illegible]	20.18
2230	[illegible]	[illegible]	20.17
2300	[illegible]	[illegible]	20.18
2330	[illegible]	[illegible]	20.15
2400	[illegible]	[illegible]	20.21

[illegible]

NGC Settlements Limited

ECONOMIC DIARY

TODAY: European Community foreign ministers are expected to hold a peace conference in The Hague.

TOMORROW: Liberal Democrats party conference in Bournmouth (until Thursday).

MONDAY: Credit business (July). Retail sales (July-final). US consumer instalment credit (July). UN review conference of biological weapons convention in Geneva (until September 27). European Parliament in plenary session in Strasbourg (until September 13). European Community finance ministers meet in Brussels.

TUESDAY: Producer price index numbers (August-provisional). International banking statistics (second quarter). US current account (second quarter). Mr Javier Perez de Cuellar, UN secretary general, visits Iran for talks expected to focus on matters arising from the Iran-Iraq war.

WEDNESDAY: United Kingdom balance of payments: 1991 Edition (CSO Pink Book) (1990). Overseas earnings of the City (1990). United Kingdom balance of payments (second quarter). US wholesale sales for July. US bank officials Mr Clark Clifford and Mr Richard Altman are scheduled to testify before the House banking committee in Washington as it examines the Bank of Credit and Commerce International scandal.

***THURSDAY:** United Kingdom* National Accounts: 1991 Edition (CSO Blue Book) (1990). CBI survey of distributive trades (August). Labour market statistics: unemployment and unfilled vacancies (August- provisional); average earnings indices (July-provisional; employment, hours, productivity and unit wage costs; Industrial disputes. Capital issues and redemptions (August). US producer price index (August). Mr Asil Nadir, Polly Peck chairman, on remand at Bow Street magistrates' court on charges of theft and false accounting.

FRIDAY: Usable steel production (August). Retail prices index and tax and price index (August). Construction output (second quarter-provisional). US consumer price index (August) and real earnings (August). Liberal Party assembly opens in Morecambe (until September 15).

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Friday September 6 1991 — Highs and Lows Index

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Thu Sep 5 Index No.	Wed Sep 4 Index No.	Tue Sep 3 Index No.	Year ago (approx) Index No	1991 High		1991 Low		Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (183)	879.28	+0.5	9.54	5.08	12.90	23.87	874.81	873.69	871.47	737.41	890.04	15/3	675.31	16/1	1038.07 16/7 /87	50.71 13/12/74
2	Building Materials (24)	1129.78	+0.5	7.95	5.50	16.04	32.33	1124.54	1117.76	1112.26	920.02	1167.75	14/3	911.64	16/1	1381.08 16/7 /87	44.27 11/12/74
3	Contracting, Construction (31)	1189.91	+0.8	8.88	6.57	14.90	33.40	1180.79	1170.00	1163.92	1145.50	1438.66	15/3	1051.83	23/1	1951.50 16/7 /87	71.48 2 /12/74
4	Electricals (11)	2508.25	+0.4	9.54	5.31	13.40	63.95	2497.10	2490.28	2489.36	2070.55	2508.25	6 /9	1837.98	22/1	3040.80 8 /9 /89	84.71 25/6 /62
5	Electronics (24)	1813.29	-0.4	9.73	5.01	12.87	48.40	1820.27	1827.06	1808.70	1570.86	1958.19	15/3	1478.08	16/1	2308.22 19/5 /89	1229.01 8 /10/85
6	Engineering-Aerospace (8)	416.01	+2.1	16.42	6.03	7.30	12.11	407.53	406.67	409.91	422.21	469.23	9 /4	380.48	16/1	502.42 13/6 /90	380.48 16/1 /91
7	Engineering-General (45)	502.99	+0.7	10.54	5.11	11.64	13.19	499.52	498.15	494.69	407.91	502.99	6 /9	339.57	23/1	505.10 15/6 /90	339.57 23/1 /91
8	Metals and Metal Forming (8)	456.99	-0.3	14.48	7.73	8.39	17.15	458.58	455.48	459.30	427.15	509.18	3 /4	381.44	16/1	596.67 9 /10/87	49.65 6 /1 /75
9	Motors (12)	371.25	+1.2	7.89	6.47	16.19	12.70	366.99	367.92	364.72	300.33	371.25	6 /9	266.43	16/1	411.42 13/10/87	19.91 6 /1 /75
10	Other Industrial Materials (20)	1671.19	+0.5	8.25	3.26	14.20	38.33	1663.18	1669.06	1671.80	1296.76	1695.01	2 /9	1147.76	16/1	1881.53 18/8 /89	277.55 15/1 /81
21	CONSUMER GROUP (188)	1590.33	+0.3	7.21	3.45	17.11	27.37	1585.67	1582.87	1584.26	1172.59	1590.33	6 /9	1188.45	16/1	1590.33 6 /9 /91	61.41 13/12/74
22	Brewers and Distillers (22)	1947.18	-0.1	7.89	3.43	15.45	34.70	1949.98	1941.66	1944.67	1449.84	1949.98	5 /9	1478.24	25/1	1949.98 5 /9 /91	69.47 13/12/74
25	Food Manufacturing (19)	1234.71	-0.2	9.25	4.02	13.36	24.86	1236.69	1237.38	1237.25	995.27	1239.25	2 /9	1013.60	16/1	1239.25 2 /9 /91	59.67 11/12/74
26	Food Retailing (17)	2751.63	+0.2	7.80	3.03	16.76	44.38	2746.97	2730.35	2688.26	2355.67	2854.91	2 /5	2259.53	2 /1	2854.91 2 /5 /91	54.25 11/12/74
27	Health and Household (22)	3775.45	+0.5	5.16	2.30	22.08	35.03	3758.25	3744.83	3768.92	2331.62	3802.79	2 /9	2454.93	16/1	3802.79 2 /9 /91	175.38 28/5 /80
29	Hotels and Leisure (23)	1385.70	.....	8.20	5.03	14.84	37.19	1385.28	1392.39	1393.29	1194.44	1405.62	2 /9	1066.91	25/1	1845.77 8 /9 /89	54.83 9 /1 /75
30	Media (26)	1529.77	+0.6	7.21	4.64	18.07	41.56	1520.09	1518.72	1522.21	0.00	1529.77	6 /9	1166.91	16/1	1529.77 6 /9 /91	1166.91 16/1 /91
31	Packaging, Paper & Printing (18)	785.72	+0.7	7.15	4.19	16.93	16.35	780.58	779.46	780.84	508.84	785.72	6 /9	486.96	16/1	785.72 6 /9 /91	43.46 6 /1 /75
34	*Stores (32)*	*1036.43*	*+0.6*	*7.35*	*3.59*	*17.74*	*17.96*	*1030.49*	*1034.29*	*1037.21*	*759.15*	*1037.47*	*2 /9*	*766.89*	*29/1*	*1160.58 29/7 /87*	*52.63 6 /1 /75*
35	Textiles (9)	651.16	+3.7	7.26	4.77	17.51	14.09	627.72	614.78	611.56	409.27	651.16	6 /9	396.58	28/1	914.52 2 /10/87	62.66 11/12/74
40	OTHER GROUPS (109)	1304.40	+0.4	9.28	4.96	13.49	32.75	1298.59	1299.19	1299.87	1004.06	1304.42	2 /9	961.05	16/1	1304.42 2 /9 /91	58.63 6 /1 /75
41	Business Services (12)	1443.37	+0.7	7.47	4.54	16.56	30.08	1432.82	1430.86	1420.13	0.00	1443.37	6 /9	892.28	1 /2	1443.37 6 /9 /91	892.28 1 /2 /91
42	Chemicals (21)	1490.01	-0.2	6.84	4.84	18.06	46.15	1492.91	1506.49	1513.23	1022.36	1520.52	2 /9	1004.01	16/1	1545.46 5 /10/87	71.20 1 /12/74
43	Conglomerates (10)	1526.57	+0.7	9.75	6.91	12.38	35.17	1515.32	1510.08	1524.05	1345.57	1626.42	14/3	1217.37	16/1	1819.46 11/8 /89	975.19 10/11/87
44	Transport (13)	2368.04	+0.4	7.61	4.53	16.28	62.68	2359.44	2355.03	2345.28	1897.18	2368.04	6 /9	1730.87	23/1	2554.69 12/7 /89	90.80 29/6 /62
45	Electricity (16)	1255.03	+0.7	13.97	5.19	9.17	27.53	1246.12	1238.22	1231.67	0.00	1255.03	6 /9	994.96	7 /1	1255.03 6 /9 /91	994.96 7 /1 /91
46	Telephone Networks (4)	1570.63	+0.3	9.39	3.87	13.93	28.34	1565.79	1569.65	1574.89	1125.42	1577.91	2 /9	1085.95	16/1	1577.91 2 /9 /91	517.92 30/11/84
47	Water (10)	2539.85	+0.4	16.10	6.06	6.87	118.37	2528.54	2503.23	2461.92	1896.18	2539.85	6 /9	2134.83	16/1	2539.85 6 /9 /91	1820.20 1 /5 /90
48	Miscellaneous (23)	1947.79	+0.9	5.14	5.09	26.94	47.96	1931.28	1940.19	1943.83	1527.53	2033.42	15/8	1506.17	16/1	2087.06 11/7 /89	60.39 6 /7 /75
49	INDUSTRIAL GROUP (480)	1326.09	+0.4	8.33	4.25	14.89	28.74	1321.00	1319.74	1319.88	1018.57	1326.09	6 /9	991.97	16/1	1326.09 6 /9 /91	59.01 13/12/74
51	Oil & Gas (20)	2469.89	-0.4	10.57	5.58	12.49	78.32	2479.74	2484.98	2495.00	2498.72	2509.42	23/7	2101.45	21/1	2528.70 3 /8 /90	87.23 29/5 /62
59	500 SHARE INDEX (500)	1424.67	+0.3	8.60	4.41	14.54	32.69	1420.58	1419.76	1420.60	1138.72	1424.90	2 /9	1092.04	16/1	1424.90 2 /9 /91	63.49 13/12/74
61	FINANCIAL GROUP (92)	846.06	+0.2	-	5.51	-	27.93	844.11	844.33	844.25	692.37	859.94	15/3	667.36	16/1	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	990.15	+0.3	4.30	5.38	43.58	36.83	987.40	985.74	986.66	750.943	990.15	6 /9	695.08	15/1	990.15 6 /9 /91	62.44 12/12/74
65	Insurance (Life) (7)	1617.92	+0.1	-	5.12	-	42.61	1616.70	1632.53	1626.17	1293.78	1632.53	4 /9	1220.74	16/1	1632.53 4 /9 /91	44.88 2 /1 /75
66	Insurance (Composite) (6)	678.82	+0.2	-	6.49	-	25.81	677.38	675.46	675.74	575.83	728.27	15/3	572.52	16/1	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (9)	1131.11	-0.1	7.24	5.97	18.07	35.66	1132.23	1142.23	1154.60	836.08	1202.38	5 /4	932.88	23/1	1399.56 17/7 /87	65.86 16/12/74
68	Merchant Banks (7)	451.78	+0.5	-	4.64	-	12.16	449.63	449.02	449.34	376.23	451.78	6 /9	327.70	16/1	547.59 12/10/87	31.21 7 /1 /75
69	Property (36)	952.31	+0.1	6.01	4.89	22.92	22.40	950.93	950.64	948.82	910.40	1087.65	15/3	881.23	3 /7	1398.87 5 /9 /89	56.01 20/4 /65
70	Other Financial (18)	268.91	+0.8	10.67	6.75	11.78	8.67	266.91	265.75	264.10	256.48	298.63	15/3	236.37	16/1	603.48 16/7 /87	33.29 17/12/74
71	Investment Trusts (69)	1261.80	+0.1	-	3.42	-	24.33	1260.00	1257.97	1257.76	1051.94	1261.80	6 /9	947.19	16/1	1323.81 4 /1 /90	71.12 13/12/74
99	ALL-SHARE INDEX (661)	1284.07	+0.3	-	4.53	-	31.08	1280.53	1279.89	1280.51	1031.07	1284.07	6 /9	987.46	16/1	1284.07 6 /9 /91	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 5	Sep 4	Sep 3	Sep 2	Aug 30	Year ago	1991 High		1991 Low		Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2667.4	+4.1	2667.7	2665.5	2663.3	2664.6	2669.0	2679.6	2645.7	2122.9	2679.6	2 /9	2054.8	16/1	2679.6 2 /9 /91	986.9 23/7 /84

FIXED INTEREST

	PRICE INDICES	Fri Sep 6	Day's change %	Thu Sep 5	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	122.56	+0.15	122.58	2.31	7.92
2	5-15 years (27)	134.50	+0.27	134.13	2.06	9.52
3	Over 15 years (9)	141.08	+0.36	142.75	0.25	10.60
4	Irredeemables (6)	157.32	+0.13	157.12	2.52	8.83
5	All stocks (70)	132.89	+0.24	132.84	2.02	9.17
	Index-Linked					
6	Up to 5 years (1)	163.50	+0.02	163.47	1.09	2.72
7	Over 5 years (10)	148.20	+0.06	148.11	0.67	3.15
8	All stocks (11)	149.22	+0.06	149.13	0.69	3.14
9	Debs & Loans (58)	113.01	+0.45	112.50	2.25	7.35

	AVERAGE GROSS REDEMPTION YIELDS		Fri Sep 6	Thu Sep 5	Year ago (approx.)	1991 High		1991 Low	
	British Government								
1	Low	5 years	8.65	8.69	11.12	10.14	16/1	8.65	6 /9
2	Coupons	15 years	9.53	9.56	11.12	10.24	2 /1	9.46	19/2
3	(0%-7¾%)	20 years	9.53	9.56	11.12	10.26	2 /1	9.53	14/2
4	Medium	5 years	9.75	9.79	12.18	11.15	2 /1	9.75	6 /9
5	Coupons	15 years	9.70	9.72	11.64	10.62	2 /1	9.70	6 /9
6	(8%-10¾%)	20 years	9.67	9.70	11.47	10.50	2 /1	9.66	3 /9
7	High	5 years	9.94	9.97	12.27	11.25	2 /1	9.94	6 /9
8	Coupons	15 years	9.80	9.83	11.91	10.80	2 /1	9.80	6 /9
9	(11%-)	20 years	9.73	9.76	11.77	10.67	2 /1	9.73	6 /9
10	Irredeemables	†	9.76	9.77	11.20	10.48	31/12	9.75	3 /9
	Index-Linked								
11	Inflation rate 5%	Up to 5yrs.	3.79	3.76	4.64	4.48	15/7	3.59	18/1
12	Inflation rate 5%	Over 5 yrs.	4.23	4.23	4.32	4.40	1 /8	4.09	18/2
13	Inflation rate 10%	Up to 5 yrs.	2.85	2.82	3.53	3.60	9 /7	2.13	21/2
14	Inflation rate 10%	Over 5 yrs.	4.04	4.04	4.15	4.22	15/8	3.90	12/4
15	Debs &	5 years	11.44	11.52	14.03	12.63	9 /1	11.44	6 /9
16	Loans	15 years	11.21	11.29	13.08	12.38	18/1	11.21	6 /9
17		25 years	11.05	11.11	12.87	12.16	18/1	11.05	6 /9

‡Opening index 2667.5; 9 am 2674.7; 10 am 2674.7; 11 am 2673.8; Noon 2674.5; 1 pm 2674.5; 2 pm 2674.3; 2.30 pm 2674.0; 3 pm 2665.8; 4.10 pm 2667.2; (a) 9.25am (b) 3.02pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/86	1114.07	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*612)	550	71½	84½	97½	4	10½	13½
	600	35½	50½	65½	16½	25½	30½
	650	15	28½	40½	46	52	55½
ASDA (*98)	90	10½	14½	15½	1½	3¼	5
	100	4½	8	10½	5½	7	9
	110	1½	4¼	-	12½	13½	-
Brit. Airways (*194)	160	35½	37½	42½	1¼	3	4
	180	17	23	27½	3¼	7½	9½
	200	4¼	11½	17	11	16½	18½
SmKl Beecham A (*788)	750	52½	74½	93½	8	18	24½
	800	22½	45½	64½	28½	39½	43½
	850	6	26	42½	64½	68½	70½
Boots (*436)	390	50½	56	66	1	4	6
	420	25½	35	45	5½	11½	13½
	460	6	14½	24½	26	32	33
B.P. (*346)	330	21½	28½	33½	2½	6	9
	360	5¼	12¼	17	14½	19½	22½
	390	1	4½	-	44	44	-
British Steel (*126)	120	9	11¼	14	2¼	5	6
	130	3½	6¼	9¼	6	10	11
	140	1	3	5¼	14	17	17½
Bass (*987)	977	36½	-	-	18½	-	-
	1000	-	40½	57½	-	51½	58½
	1026	14	-	-	46½	-	-
C & Wire (*583)	500	88½	99	-	1¼	4½	-
	550	44	60½	78½	5	14½	19
	600	15½	33½	49½	24	36	39½
Courtaulds (*495)	420	80	87	100	1	3	5¼
	460	43	55	69	4	9½	12½
	500	16½	31	45	17	23	26
Com. Union (*518)	460	63½	77½	-	1	3¼	-
	500	29	46½	54½	6	12½	18½
	550	7½	19½	28	33½	37½	41½
Fisons (*500)	460	46	59	72	2¼	8¼	12½
	500	17½	34	47	14½	23	28
	550	3½	14	24½	52	52	54
GKN (*387)	330	60	70	76	1	3¼	7½
	360	36	47½	54	4½	9	16½
	390	15	29	35	15	21	29½
Grand Met. (*846)	800	60½	84½	94½	6	17	23
	850	27	51½	65½	22	36½	42½
	900	9	28	42½	54½	64½	70½
I C I. (*1340)	1300	73½	122	138	22	34½	55½
	1350	45½	93	108	39½	53½	78½
Kingfisher (*571)	550	32½	47½	67½	9	16	20½
	600	8½	26½	39½	34½	42½	44½
Ladbroke (*282)	280	12	20	25½	11	16½	20½
	300	4	11	18½	24	28	31
Land Secur (*531)	500	37	45½	57½	2¾	9½	11½
	560	7½	17½	29	23½	30½	34½
M & S (*288)	280	15½	24	31½	3½	8	10
	300	5½	13	20½	13½	17½	19½
Sainsbury (*374)	360	-	-	42	-	-	10½
	386	7	17½	-	14½	19½	-
Shell Trans (*527)	500	30	44	48½	5½	9¼	16½
	550	4	15½	20	34½	36	42½
Storehouse (*124)	120	7	11	14½	4	7½	9
	130	3	6½	10	9½	12½	14½
Trafalgar (*250)	240	-	-	30	-	-	20
	251	13	19½	-	11½	22	-
Utd. Biscuits (*397)	390	16½	27	35	9½	14½	21
	420	4	13½	19½	29	32	37½

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Unilever (*770)	750	37½	55½	69½	9½	19	24½
	800	11½	29½	42½	35	40½	47½
Ultramar (*266)	260	13¼	22	26	5	10½	15½
	280	5¼	13½	16½	17	20	25½

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*555)	550	25½	42½	45½	22½	28	37
	600	7¼	20	25½	56½	62½	70½
BAA (*454)	420	44½	53½	63½	4	11½	13½
	460	18	28	39½	19	26	29
BAT Inds (*690)	650	43½	65½	74½	8½	15	20½
	700	16½	36½	46½	33	36½	42
BTR (*424)	420	17	30½	34½	16	20	27½
	460	4½	13½	19	44½	46½	50½
Brit. Telecom (*399)	390	22½	30½	38½	9	15	18½
	420	7	15¼	24½	24½	31½	33½
Cadbury Sch (*396)	390	24	39½	42½	14½	21½	27
	420	13½	25	29	32½	35½	40½
Eastern Elec (*191)	180	17½	23½	27½	4½	7	8½
	200	6½	11	17	11¼	16½	17½
Guinness (*1032)	1000	59½	85	103	17½	28½	38
	1050	30½	56	74½	40½	49	61½
GEC (*199)	180	22½	25½	29½	1½	3	4
	200	9¾	13	17½	6	9	10
Hanson (*219)	200	24	26	28	1½	5	6¼
	220	9½	12½	16½	6¼	12¼	15
LASMO (*320)	300	29½	40½	45	5	9	13½
	330	12½	23½	28½	17½	23	26
Lucas Inds (*156)	140	20½	21½	26	3	5	7
	160	6¼	10	14½	12½	14½	16
P. & O (*570)	550	41	59½	68½	10½	17½	25
	600	15½	33½	42½	35½	40½	50½
Pilkington (*169)	160	17½	21	26½	5¼	10	11½
	180	7	11½	17	15½	20½	22
Prudential (*261)	260	12	20½	23½	10	12	15½
	280	4¼	11	14½	23½	25½	26½
Racal (*237)	220	31½	41	-	11½	16½	-
	240	20½	32	-	19½	25½	-
R T Z (*596)	550	53½	71½	78½	6	12	18
	600	21	41½	48½	24½	30½	37½
Scot. & New (*416)	390	37½	46½	56½	5	10½	13½
	420	18	28	39½	16½	22	25½
Tesco (*284)	280	14½	23½	28½	8	11	14½
	300	5½	12½	19½	19½	21½	24½
Thames Water (*390)	390	-	-	32	-	-	18
	400	10	18	-	17	20½	-

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Abbey Nat. (*306)	300	10½	22½	30	4½	10	13½
	330	1	9	16	25	27	30
Amstrad (*52)	50	3¼	6	8½	2	4½	5¼
	60	¼	2½	4	8	11	12½
Barclays (*475)	460	20	39½	50	4	12½	20½
	500	2¼	16½	29½	28½	34½	40½
Blue Circle (*272)	240	31½	36	43	1	4	6¼
	260	12½	21½	30½	3¼	9½	12½
British Gas (*274)	260	15½	24½	27½	1¼	4¼	8
	280	3	12¼	17	7½	11½	16½
Dixons (*268)	260	12	24	31½	3½	11½	14½
	2801	4¼	13½	20½	14½	19	22½
Eurotunnel (*480)	460	28½	51½	70	5½	21½	32
	500	10½	31½	50	26½	41½	50
Glaxo (*1378)	1350	39½	89½	1262	4	47½	59½
	1400	14½	64	101	53	71½	83
Hawker Sidd. (*604)	600	16½	34	48½	10	29½	32½
	650	3	15	30½	48½	53½	58½
Hillsdown (*250)	240	12	20½	28	2	7½	11
	260	2¼	10½	-	11½	17½	-
Lonrho (*241)	240	5½	16½	20	5	9½	17½
	260	1	7¼	10½	20	21	29
Midland Bk (*253)	240	15½	27½	35	3	9	12½
	260	4	16½	23½	10½	17½	21
National Power (*157)	140	17	21½	23½	1¼	2¼	4¼
	160	2¼	9½	12	5	8	11½
Reuters (*905)	900	27½	66½	93	18½	40½	56½
	950	8½	42½	67½	48½	66½	82
R. Royce (*143)	140	5½	10½	14¼	4¼	7¼	12
	160	1	3¼	6¼	20½	21½	24
Sears (*93)	90	4¼	7½	10	1¼	4¼	6
	100	½	3¼	-	8½	10½	-
THF (*293)	280	16	22½	30½	2	7	10½
	300	3¼	11½	19½	10	16½	19½
Thorn EMI (*811)	800	23½	50½	67½	9	24½	29½
	850	4½	24	41½	38½	50½	53½
TSB (*154)	140	14½	19½	21¼	¼	1¼	4½
	160	1¼	6¼	10	7½	9	12
Vaal Reefs (*561)	60	3	8½	10	2½	5¼	7¼
	70	½	3½	6¼	8½	11½	14
Wellcome (*738)	700	45½	70½	93½	5½	20½	31½
	750	13½	43½	65½	24	41½	51½

Option		Calls Sep	Calls Dec		Puts Sep	Puts Dec	
Scottish Power (*108)	100	8	11¼	-	¼	2½	-
	110	1¼	5½	-	4	6	-

EURO FT-SE INDEX (*2667)

	2425	2475	2525	2575	2625	2675	2725	2775
CALLS								
Sep	262	212	163	116	73	37½	15	5½
Oct	276	229	184	139	101	65½	38½	21½
Nov	292	-	204	-	125	-	63½	-
Dec	309	-	223	-	146	-	85½	-
Mar	347	-	267	-	195	-	138	-
Jun	388	-	315	-	245	-	180	-
PUTS								
Sep	1½	2	3½	6½	11	26½	54½	92½
Oct	6	8	10½	17½	27½	41½	63½	93½
Nov	10½	-	18½	-	37½	-	72½	-
Dec	14½	-	27½	-	45	-	79½	-
Mar	27½	-	40	-	65	-	95	-
Jun	35	-	52	-	75	-	107	-

FT-SE INDEX (*2667)

	2400	2450	2500	2550	2600	2650	2700	2750
CALLS								
Sep	285	236	186	139	92	52	23	8
Oct	300	251	206	161	120	82	50	29½
Nov	315	270	226	184	144	107	76½	50½
Dec	334	290	244	205	163	128	100	72½
Jun †	405	-	330	-	260	-	200	-
PUTS								
Sep	1	1½	2½	4	7	17½	42½	83½
Oct	4	5	10	13½	22½	36	56	88½
Nov	7½	12	15½	22½	34	48½	68	97½
Dec	12½	17½	22	30	41½	56½	77½	105
Jun †	37½	-	52½	-	80	-	120	-

September 6 Total Contracts 22,260
Calls 16,775 Puts 5,485
FT-SE Index Calls 5,299 Puts 2,586
Euro FT-SE Calls 180 Puts 186
*Underlying security price. † Long dated expiry mths
Premiums shown are based on middle prices.

INTERNATIONAL COMPANIES AND FINANCE

Yuen resigns as head of Hong Kong exchange

By Angus Foster in Hong Kong

MR FRANCIS Yuen, the chief executive of the Hong Kong Stock Exchange, will step down next month to become chief executive of Hang Chong Investment, the trading and agency group which is being taken over by a consortium led by Citic Pacific.

His resignation will add to the uncertainty surrounding the exchange, which is in dispute with the Securities and Futures Commission (SFC) over an enforced reform package designed to bring it in line with international standards.

Sir Q W Lee, chairman of the exchange, is expected to retire at the end of the year while Mr Philip Wong, the former first vice chairman, was forced to step down earlier this year following a controversy over special share allocations.

Mr Yuen said he felt it was time for him to do something different. "My background is in merchant banking and stock broking. Hang Chong is perhaps the biggest private trading company in Hong Kong and, together with Citic, I think there is tremendous potential for growth," he said.

The appointment is another sign that Citic Pacific, the Hong Kong-listed arm of Beijing's main overseas investment vehicle, China International Trust and Investment, is emerging as China's first "hong" or trading conglomerate. Although only 39, Mr Yuen has had a high profile career and is widely regarded as able.

Yuen: will join Hang Chong Investment

Indirectly, he will be rejoining two former colleagues, Mr Philip Tose and Mr Francis Lueng. All three left Citicorp three years ago. Mr Yuen went to the stock exchange while the others set up Peregrine, a fast-growing merchant bank which holds an 8 per cent stake in the Citic Pacific-led consortium.

Mr Yuen's record at the stock exchange is mixed and he was rumoured to have been looking for another job for some time. He had said he intended to work for the exchange for "three to five years". Earlier this year he agreed to stay on at the exchange upon the expiry of a three-year contract next month but that has now changed.

Mr Yuen was the exchange's first independent chief executive. He was brought in to separate the exchange's management from its ruling council. This was in the wake of the chairmanship of Mr Ronald Li, now in jail for corruption, who closed the exchange for four days during the 1987 global crash.

Although the exchange's reputation has improved under Mr Yuen, he failed to push through a voluntary reform package last month. This was designed to remove the last remaining practices – such as voting by proxy – that were seen as open to abuse following the 1987 closure.

Failure to implement the voluntary package led the SFC to impose harder-hitting measures which are due to come into force next year.

Giorgio Armani expects 5% sales decline

By Haig Simonian in Milan

MR GIORGIO Armani, the Italian designer best known for his stylish high-fashion clothing lines, expects sales this year to fall by around 5 per cent to L730bn ($563.7m).

Mr Armani, who is launching a new retailing initiative in the US, said net profits for his privately-owned group looked set to decline by a similar percentage. Net earnings last year had been $54.2m, he revealed.

Mr Armani denied that the new chain, called Armani Exchange (A/X), represented a reaction to the more difficult US trading climate for luxury goods producers. However, he attributed the expected fall in group sales this year principally to the tougher economic conditions in a number of key markets.

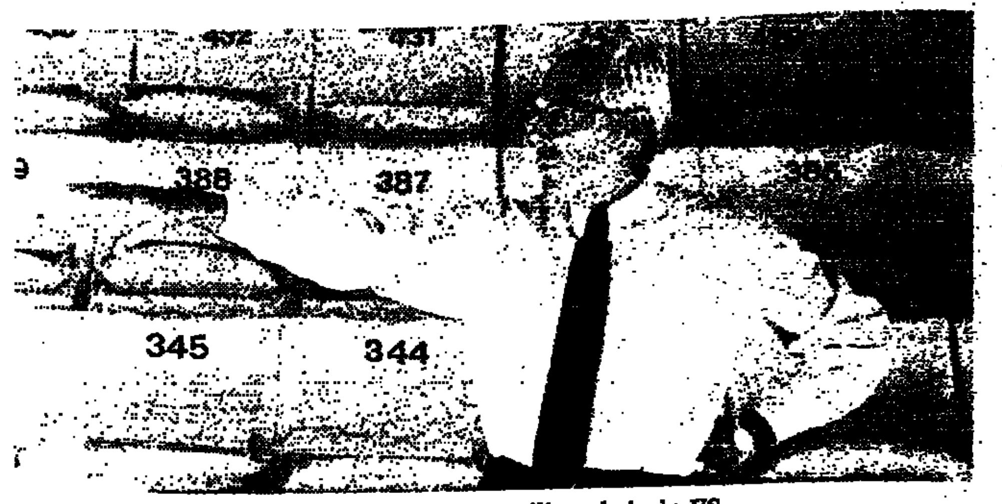
"We have been thinking about this for two years," said Mr Armani who claimed that new line was not so much a move downmarket as a desire to make Armani wear available to a new range of customers.

"We want to construct a clientele which lasts for the future," he said.

Much of the new range, comprising mainly jeans and casual wear, will sell for under $100. That is appreciably below the prices in the existing Armani high-fashion boutiques and even the slightly cheaper Emporio Armani stores.

The new chain will be owned and operated by Simint, the quoted Italian clothing manufacturer in which Mr Armani owns a 20 per cent stake. Simint's controlling shareholder is Mr Francesco Micheli, the Milan financier.

Simint, which already produces much Armani label apparel, is expected later this month to report net profits of over L17bn for its 1990-91 financial year. Setting up the new chain is expected to involve an investment of around $30m over the next two to three years, according to Mr Armani. The group expects first year retail sales of $60m.



Armani: the designer plans to open a new retailing chain in US

The first A/X store is due to open in New York before the end of this year, with further outlets in another five US cities by the end of 1993. Additional sales points will be developed in conjunction with existing department stores.

Mr Armani said the new chain would relieve space in the existing Emporio Armani outlets in the US, which would then be able to concentrate on more seasonal and fashion-conscious designs.

By contrast, items in the new range will have much longer production runs, and are more likely to be manufactured in low-cost centres such as south-east Asia.

TEA forced to seek court protection from creditors

By Andrew Hill in Brussels

BELGIUM'S largest independent airline was yesterday forced to seek court protection from its creditors, some of which have threatened to go directly to the airline's clients for repayment of their debts.

Trans European Airways (TEA) said that one creditor, Eurocontrol – the pan-European air traffic control body – had impounded a TEA aircraft at London's Gatwick airport.

TEA, which only won the right to operate scheduled flights between Brussels and Gatwick in June, was last night seeking a legal injunction against Eurocontrol's action.

TEA, owned by the family of its founder and president Mr Georges Gutelman, is also negotiating with other airlines and potential investors.

Mr Alain Zenner, the group's lawyer, said yesterday: "We are now bound to consider a takeover or at least investment by another airline."

The company said its operations would continue as usual, but it has asked the Liege commercial court for a "composition procedure" – the Belgian equivalent of Chapter 11 protection in the US – to cover four group companies, including the holding company and the airline subsidiary.

The court meets on Monday to consider the case.

TEA has an annual turnover of about BFr15bn ($419m), but has been trading at a loss for the last two years.

The four companies covered by the creditor protection scheme have liabilities of BFr2.94bn, excluding intra-group loans.

Of this total, BFr975 is owed to suppliers and BFr1.84bn to banks. The airline refused to say which creditors had threatened to recover their debts.

The group was already considering a restructuring plan which could involve alternative financing for its fleet, refocusing on its core aviation business with the help of a partner, and the sale of its maintenance and tourism activities.

Mr Marc Uilenbroeck, TEA's finance director, said last night that the creditor protection scheme was bound to cause some uncertainty in the market.

But he added: "Our hope is that once we get this restructuring plan in place we can convince the travel community that things are secure."

The group had also appealed to the regional Flemish authorities in Belgium for a BFr3.6bn injection of cash.

However, the regional investment authority said yesterday, following an emergency meeting, that it was not the Flemish government's policy to grant straight subsidies.

TEA had hoped to emulate its principal rival, Sabena, the state-controlled airline which has received a BFr35bn package of aid from the Belgian government.

TEA was founded 20 years ago by Mr Gutelman as a pure charter operation, and is likely to be one of the main beneficiaries of the EC's aviation liberalisation package.

Nippon Steel warns of fall

By Steven Butler in Tokyo

NIPPON Steel, Japan's largest steelmaker, yesterday issued a warning that its pre-tax profits would fall by 30 per cent to Y55bn ($406m) in the six months to end-September.

The company blamed the steep fall in earnings on the rising costs of iron ore, labour and distribution.

Nippon, whose profits fell by 20.5 per cent last year, had warned in May that it expected to see a decline in pre-tax profits of 25 per cent for the entire year.

The company said that in the face of the deceleration of the Japanese economy, demand for steel had remained firm. Its sales in the first half of the fiscal year were expected to show a small decline to Y1,300bn.

The company warned that sales were expected to continue declining in the second half of the year and that profits were expected to be under severe pressure even though it had negotiated increases in steel prices.

A cost-cutting programme was to be implemented in the second half of the year. In spite of the expected decline in profits, Nippon Steel hopes to maintain its interim dividend unchanged at Y3 a share.

TransCanada agrees to buy US pipeline operator

By Bernard Simon in Toronto

TRANSCANADA PipeLines is planning a sizeable expansion in the US by buying Pacific Gas Transmission, which owns the main pipeline carrying natural gas from western Canada to California.

TCPL, which is one of North America's largest gas pipeline operators, has signed a letter of intent to buy PGT from Pacific Gas and Electric, the California utility, for between C$330m (US$289.5m) and C$400m.

The final price will depend in part on progress made in PGT's planned US$1.7bn expansion of its 950km pipeline. The project, which involves doubling the existing pipeline, is due to come on stream in 1993. However, it faces competition from the Altamont consortium, which is proposing a more easterly route.

The acquisition, expected to be completed early next year, includes PGT's 49 per cent stake in Alberta Natural Gas, which has various gas distribution and extraction facilities in western Canada, as well as a specialised chemicals business.

TCPL is also discussing with PG&E the purchase of Alberta and Southern Gas, a gas supply broker which has contracts with 190 producers in Alberta.

The proposed purchase is another sign of the growing presence of Canadian natural gas in the US. TCPL is already the largest shareholder in the Iroquois Gas Transmission System, a consortium which is in the midst of a C$2.4bn project to bring natural gas from Alberta to the north-east US.

Canada's share of the US natural gas market is expected to rise to about 10 per cent from 7 per cent currently.

Heineken edges up 1.8% as beer sales stagnate

By Ronald van de Krol in Amsterdam

HEINEKEN, the Dutch brewer, lifted net profit by less than 1.8 per cent in the first half of 1991, as the Gulf war, poor summer weather and economic recession reduced beer sales.

Net profit totalled Fl168.38m ($86.3m) in the six months to end-June. Sales, measured in litres of beer sold, fell by an unspecified amount, but group turnover rose by slightly more than 1 per cent to Fl4.2bn.

The company said: "Not only were the weather conditions in Europe unfavourable, but also the Gulf crisis had a negative influence on sales in many countries, owing to a decline in visits to restaurants and cafes and tourism."

Heineken, the world's third largest beer group, forecast that net profit would match, or be slightly higher than, its 1990 results, when net earnings climbed by 12.4 per cent to Fl365.7m.

The 1991 forecast does not include an estimated Fl60m in after-tax extraordinary income which is expected to be realised in the second half through the sale of land in Singapore by Asia Pacific Breweries, which is 42.5 per cent-owned by the Dutch group.

Heineken's interim dividend for 1991 was left unchanged at Fl1.50. Although beer sales were down, Heineken's margins rose because of higher sales prices and lower personnel costs achieved through reorganisations at several of its subsidiaries.

The 2 per cent increase in operating profit to Fl298m was due in part to the first-time consolidation of Heineken's long-standing US importer Van Munching & Co, which was acquired in late 1990.

Dividends from non-consolidated participations showed a sharp increase, to Fl10.2m from Fl3.6m a year earlier. Heineken said the large rise was due mainly to the fact that several associate companies had transferred their payouts earlier in the year than usual.

Labatt sees improvement next year

JOHN Labatt, the brewing and consumer products group controlled by Brascan, expects improved profits for fiscal 1992, writes Robert Gibbens in Montreal.

In the last quarter, the company reported a decline in net profit to C$45m (US$39.5m) or 52 cents a share, from C$48m or 55 cents in the corresponding period of 1990. Sales were little changed at C$1.3bn.

The dividend is being raised from 19.5 cents a share to 20 cents.

In the first quarter ended July 31, Labatt increased its domestic beer market share to 42.6 per cent from 41.8 per cent a year earlier.

● Laurentian Bank of Canada, part of the Laurentian Financial Services Group, achieved an 8 per cent gain in third-quarter profit with strength in its core retail business. Profit was C$9.2m or 56 cents a share in the July quarter, against $8.6m or 50 cents.

BSN acquires Spanish offshoot of General Mills

By William Dawkins in Paris

BSN, the French food group, is to expand its interests in prepared meals by buying the Spanish leader in the sector.

The group says it will complete by the middle of this month the purchase of Pycasa, a subsidiary of the US food giant General Mills.

This is the only frozen prepared meal business owned in Europe by General Mills, which is refocusing its activities in the region, with the construction of a savoury snacks factory in the Netherlands and its agreement two years ago to produce breakfast cereals with Nestlé, the Swiss food multinational.

Pycasa's Cocinera brand has a 22 per cent share of the Spanish market for frozen prepared meals, which is the fastest growing segment of Spain's food market, said BSN.

The purchase price is not being disclosed, though Pycasa last year reported sales of Pta7.08bn ($65m) and employs 460 people at its factory in Torrejon, near Madrid.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1991	Low 1991
Gold per troy oz.	$348.60	+0.55	$387.00	$392.25	$353.55
Silver Per troy oz	234.00p	+7.85	252.20p	280.55	183.35p
Aluminium 99.7% (cash)	$1258.5	+3.0	$2007	$1570	$1227
Copper Grade A (cash)	£1369	+12	£1630	£1472	£1241.0
Lead(cash)	£315.0	-3.5	£454	£382.5	£292.5
Nickel (cash)	$7740	-205	$11150	$9237.5	$8040
Zinc SHG (cash)	$1024.5	+2.0	$1607.5	$1430	$1014
Tin (cash)	$5565.5	-27.5	$5795.0	$5915	$5470
Cocoa Futures (Dec)	£743	+43	£773	£747	£596
Coffee Futures (Nov)	£564	+10	£631	£613	£520
Sugar (LDP Raw)	$237.0	+6.5	$285.4	$293	$194
Barley Futures (Nov)	£113.70	-2.85	£113.65	£121.50	£107.75
Wheat Futures (Nov)	£116.60	+3.05	£115.00	£141.10	£111.80
Cotton Outlook A Index	70.95c	-0.35	81.30c	86.25c	70.95c
Wool (64s Super)	360p	-2	435p	421p	329p
Oil (Brent Blend)	$20.175x	-0.350	$30.25	$29.15	$16.75

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-Oct.

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.10-7.20z	
Brent Blend (dated)	$20.10-0.20z	+0.05
Brent Blend (Oct)	$20.15-0.20	+0.5
W.T.I. (1 pm est)	$21.75-1.80z	+0.5

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$246-248	
Gas Oil	$192-194	
Heavy Fuel Oil	$69-71	
Naphtha	$212-214	+5

Petroleum Argus Estimates

Other		+ or -
Gold (per troy oz)♣	$348.60	+1.1
Silver (per troy oz)♣	397.0c	+7.5
Platinum (per troy oz)	$342.0	+1.5
Palladium (per troy oz)	$81.25	
Copper (US Producer)	108.2c	+0.8
Lead (US Producer)	36.4c	
Tin (Kuala Lumpur market)	15.15r	
Tin (New York)	258.5c	
Zinc (US Prime Western)	62.0	
Cattle (live weight)†	103.84	-0.98*
Sheep (dead weight)†	115.75	-5.82*
Pigs (live weight)†	68.14p	+4.83*
London daily sugar (raw)	$237.0q	+7.0
London daily sugar (white)	$262.0q	+5.0
Tate and Lyle export price	£248.5	+4.0
Barley (English feed)	£112.5x	
Maize (US No. 3 yellow)	£179	-1.0
Wheat (US Dark Northern)	£97.0	
Rubber (Oct)♥	51.75p	
Rubber (Nov)♥	52.25p	
Rubber (KL RSS No 1 Sep)	226.00	
Coconut oil (Philippines)§	$435.0q	
Palm Oil (Malaysian)§	$317.5t	
Copra (Philippines)§	$285.0j	+2.5
Soyabeans (US)	£156.0x	-1.5
Cotton "A" index	70.95c	
Wooltops (64s Super)	360p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Aug/Dec u-Oct/Dec x-Sep y-Aug/Sep z-Oct j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	207.00	207.00	208.00 203.00
Dec	198.80	197.00	191.00
Mar	193.80	192.00	193.80 190.00
May	195.60	193.60	189.00
Aug	200.00	200.00	195.00
Oct	200.00	200.00	195.00
White	**Close**	**Previous**	**High/Low**
Oct	288.9	288.0	287.0 285.0
Dec	281.1	281.8	280.9 279.0
Mar	281.6	281.0	282.0 279.0
May	279.5	279.0	279.0 278.5
Aug	278.5	278.5	278.5

Turnover: Raw 699 (2098) lots of 50 tonnes. White 1277 (1918)
Paris- White (FFr per tonne)- Oct 693, Dec 668

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Oct	20.18	20.13	20.21 20.11
Nov	20.20	20.17	20.24 20.14
Dec	20.19	20.16	20.20 20.17
Jan	20.14	20.08	20.15 20.11
Mar	19.91	19.90	19.92 19.91
IPE Index	20.14	20.34	

Turnover 9600 (13622)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Sep	192.75	192.50	194.50 192.50
Oct	196.00	195.50	197.00 195.50
Nov	198.00	197.25	198.75 197.00
Dec	198.75	197.75	199.00 198.25
Jan	196.25	196.00	197.00 196.25
Feb	190.25	191.25	191.00 190.00
Mar	184.50	185.00	186.50
Apr	179.00		180.00 178.75
May	175.00	175.00	175.00

Turnover 5649 (6376)lots of 100 tonnes

SPICES

White pepper rallied from about $1,150 a tonne to $1,300 cif following increased short covering in Indonesia, where supplies from the interior remain below expectations, reports Man-producten. Extremely dry weather reported on Bangka, making it increasingly difficult for farmers to prepare a reasonable faq standard pepper. Black pepper prices steady; however the trend is definitely firmer. The faq quality is offered at $1,100 cif which is about $100 higher than the lowest prices seen some weeks ago.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	712	714	735 712
Dec	744	747	767 741
Mar	777	783	802 777
May	795	805	820 794
Jul	814	825	841 820
Sep	833	845	859 839
Dec	853	866	881 850
Mar	876	890	903 872
May	894	907	892 891
Jul	911	923	932 910

Turnover: 8859 (10501) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 5 939.85 (934.10) 10 day average for Sep 6 883.59 (875.58)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Sep	539	538	550 539
Nov	564	563	575 564
Jan	584	582	591 581
Mar	595	592	600 591

Turnover:6483 (5016) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 5 : Comp. daily 66.94 (65.88) 15 day average 64.07 (63.78)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Nov	85.0	84.0	82.0
Apr	121.0	121.0	120.8 118.5

Turnover 262 (101) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	135.50	136.50	135.50
Feb	140.00		140.00

Turnover 35 (28) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Sep	1600	1618	1610 1599
Oct	1700	1710	1710 1700
Jan	1708	1711	1710 1701
Apr	1710		1710 1700
Jul	1491		1490 1486
BFI	1543	1544	

Turnover 119 (74)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Sep	114.10	114.00	114.00 113.95
Nov	116.60	118.60	116.60 116.45
Jan	120.10	120.05	120.10 119.95
Mar	123.50	123.50	123.50 123.40
May	126.40		126.35 126.25
Barley	**Close**	**Previous**	**High/Low**
Sep	110.90	110.70	111.00
Nov	113.70	113.60	113.70
Jan	117.30		117.35
Mar	119.60	119.60	119.60
May	121.45		121.45

Turnover: Wheat 336 (400), Barley 52 (48). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	100.0	99.5	99.0
Nov	104.5	104.0	104.0
Jan	104.0	104.0	103.9
Apr	110.0		110.0

Turnover:14 (75) lots of 3,250 kg

[illegible] – London FOX

	Close	Prev.	High	Low	Vol
Indx	139.00	137.20			
Sep	138.60	137.10	138.60	137.60	85
Oct	139.00	138.10	139.00	137.60	90
Nov	139.30	137.90	139.30	138.60	75
Dec	139.70	138.60	139.70	139.30	55

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 18,605 lots
Cash	1258-9	1250-1		1252-3		
3 months	1288-9	1280-1	1293/1281	1282-3	1289-90	28,207 lots
Copper, Grade A (£ per tonne)						Total daily turnover 19,635 lots
Cash	1368-70	1353.5-4.5	1376/1366	1367-7.5		
3 months	1368-9	1358-8.5	1373/1367	1367-7.5	1374-5	18,625 lots
Lead (£ per tonne)						Total daily turnover 1,219 lots
Cash	314.5-5.5	312-3		314.5-5.5		
3 months	326.5-7.0	324-5	327/326	326-6.5	327-8	1,684 lots
Nickel ($ per tonne)						Total daily turnover 2,452 lots
Cash	7735-45	7695-705	7695	7690-5		
3 months	7760-70	7730-5	7800/7700	7730-5	7780-800	2,642 lots
Tin ($ per tonne)						Total daily turnover 1.027 lots
Cash	5560-70	5575-85	5571	5571-3		
3 months	5645-50	5655-60	5655/5650	5650-5	5650-5	1,091 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 3,168 lots
Cash	1024-5	1024-6	1024/1023	1023-3.5		
3 months	1039-40	1040-1	1041/1037	1036-7	1049-1	7,401 lots

LME Closing £/$ rate: SPOT: 1.6865 3 months: 1.6839 6 months: 1.6743 9 months: 1.6592

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	348.40-348.80	
Opening	347.00-347.40	
Morning fix	347.00	204.659
Afternoon fix	348.05	205.582
Day's high	349.00-349.40	
Day's low	346.60-347.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.25	6 months	5.09
2 months	5.20	12 months	5.03
3 months	5.15		

Silver fix	p/fine oz	US cts equiv
Spot	228.40	387.10
3 months	234.05	392.40
6 months	239.60	397.95
12 months	251.40	410.30

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	348.00-349.00	206.50-206.00
Maple leaf	358.00-359.00	211.50-212.00
New Sovereign	84.00-85.00	49.50-50.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Dec	Oct	Dec
1150	121	143	1	3
1250	33	64	11	21
1350	2	18	79	74
Copper (Grade A)	**Calls**		**Puts**	
2200	116	121	5	30
2300	44	63	32	71
2400	10	28	97	135
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
500	65	66	1	2
550	24	46	10	12
600	5	19	41	35
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	51	87	33	35
750	38	73	45	46
775	30	61	62	59
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
2000	24		6	
2050	6		6	
2100		14		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	349.1	347.0	348.2	348.2
Oct	350.2	348.2	350.5	348.0
Nov	351.8	349.8	0	0
Dec	353.4	351.4	353.5	350.8
Feb	356.4	354.4	356.5	354.4
Apr	359.3	357.4	359.2	358.8
Jun	362.4	3360.5	0	0
Aug	365.5	363.7	0	0
Oct	368.7	366.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	351.6	341.8	353.0	341.0
Jan	356.0	346.2	358.0	346.0
Apr	359.8	350.0	359.0	350.0
Jul	363.6	353.8	0	0
Oct	370.5	360.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	396.8	386.4	398.0	387.5
Oct	398.2	387.7	0	0
Nov	400.3	389.8	0	0
Dec	402.8	392.3	404.0	390.0
Jan	405.0	394.4	404.0	404.0
Mar	409.6	398.9	411.0	397.5
May	414.2	403.5	414.5	412.5
Jul	418.5	407.9	418.0	415.5
Sep	423.5	412.7	421.5	421.5
Dec	430.8	419.9	420.0	419.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	106.60	103.90	106.70	104.70
Oct	106.20	103.60	106.00	104.60
Nov	105.95	103.35	105.85	104.40
Dec	105.50	102.95	105.80	103.80
Jan	104.70	102.30	104.60	104.60
Feb	104.05	101.75	0	0
Mar	103.40	101.20	103.60	101.80
Apr	102.80	100.65	0	0
May	102.30	100.15	102.60	101.10
Jun	101.85	99.80	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	21.76	21.69	21.82	21.71
Nov	21.70	21.64	21.78	21.66
Feb	21.42	21.34	21.45	21.39
Mar	21.29	21.20	21.29	21.25
Apr	21.14	21.09	21.15	21.13
Jul	20.92	20.81	20.91	20.89

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	6290	6259	6320	6280
Nov	6400	6355	6420	6390
Dec	6500	6444	6520	6480
Jan	6520	6471	6530	6495
Mar	6130	6076	6130	6100
Apr	5900	5851	5900	5860
May	5740	5711	5740	5740
Jun	5648	5670	5725	5595

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1168	1151	1169	1151
Dec	1205	1188	1222	1172
Mar	1253	1234	1264	1220
May	1280	1260	1287	1260
Jul	1305	1283	1305	1300
Sep	1326	1303	1299	1297
Dec	1361	1338	0	0
Mar	1396	1373	0	0
May	1420	1397	0	0
Jul	1441	1418	1447	1447

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	87.80	87.55	88.40	87.40
Dec	91.00	90.20	91.65	90.50
Mar	94.30	93.60	94.80	93.75
May	96.75	95.80	97.10	96.40
Jul	99.30	98.50	99.30	98.70
Sep	101.80	101.00	101.80	101.50
Dec	104.50	105.50	104.50	104.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.20	9.23	9.31	9.08
Mar	8.85	8.87	8.88	8.73
May	8.80	8.82	8.82	8.66
Jul	8.82	8.77	8.82	8.64
Oct	8.75	8.75	8.78	8.68

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	65.57	66.45	66.35	65.40
Dec	66.12	66.67	66.70	65.75
Mar	67.50	67.98	67.90	67.25
May	68.15	68.65	68.65	68.00
Jul	68.85	69.08	69.15	68.65
Oct	67.45	67.63	67.40	67.40
Dec	67.10	67.11	67.10	67.10

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	118.90	118.75	119.00	118.50
Nov	118.20	117.60	118.50	117.25
Jan	117.90	117.25	118.20	117.20
Mar	118.75	118.30	118.75	118.00
May	119.70	119.20	119.25	119.25
Jul	119.70	119.20	0	0
Sep	119.70	119.20	0	0
Nov	119.70	119.20	0	0
Jan	119.70	119.20	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 6	Sep 5	mnth ago	yr ago
1669.1	1658.4	1660.7	1812.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 5	Sep 4	mnth ago	yr ago
Spot	118.75	117.02	121.93	130.10
Futures	122.72	122.36	123.69	133.55

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	574/6	576/4	577/0	572/0
Nov	585/0	586/0	589/0	583/0
Jan	596/2	597/4	599/6	594/0
Mar	607/0	608/4	610/0	605/0
May	613/4	615/4	617/0	612/4
Jul	618/0	620/4	622/4	617/0
Aug	614/0	616/4	616/0	614/0
Sep	587/0	590/0	587/0	587/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	20.50	20.21	20.54	20.15
Oct	20.53	20.24	20.59	20.23
Dec	20.91	20.64	20.95	20.60
Jan	21.13	20.85	21.13	20.80
Mar	21.35	21.20	21.46	21.15
May	21.60	21.40	21.75	21.52
Jul	21.85	21.60	22.00	21.70
Aug	21.95	21.62	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	187.2	188.4	186.0	188.5
Oct	185.4	186.1	186.3	184.7
Dec	184.8	185.3	185.3	183.6
Jan	183.7	184.3	184.2	182.8
Mar	183.0	183.1	183.5	181.7
May	181.2	181.7	182.0	180.0
Jul	181.0	182.5	182.0	180.0
Aug	180.5	182.5	181.0	180.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	245/0	247/2	246/6	244/6
Dec	251/0	252/6	252/4	250/4
Mar	258/2	260/2	259/6	258/0
May	263/2	265/0	264/6	263/0
Jul	265/6	267/2	266/6	265/4
Sep	253/0	252/2	254/0	252/4
Dec	250/2	250/0	250/4	249/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	313/0	316/4	314/6	312/6
Dec	321/6	323/4	323/2	321/0
Mar	324/4	326/4	326/4	324/2
May	319/4	321/0	321/2	319/2
Jul	306/0	308/0	308/4	306/0
Sep	313/4	317/0	314/4	313/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	72.12	71.50	72.45	71.30
Dec	74.77	74.35	74.95	74.10
Feb	72.80	72.45	73.07	72.27
Apr	73.42	73.27	73.90	73.25
Jun	71.35	71.20	71.46	70.90
Aug	69.70	69.50	70.00	69.65

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	45.30	44.80	45.35	44.85
Dec	45.05	44.85	45.15	44.70
Feb	44.42	44.15	44.52	44.05
Apr	42.55	42.37	42.70	42.40
Jun	46.86	46.55	46.85	46.65
Jul	46.87	46.65	46.90	46.70
Aug	45.22	45.00	45.30	45.00

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	49.10	47.72	49.40	47.80
Mar	48.87	47.80	49.00	47.50
May	49.80	48.60	49.87	48.55
Jul	49.55	48.96	49.65	0
Aug	47.20	46.75	47.20	0

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar rallies after sell-off

THE DOLLAR finished weaker on the day in Europe, but closed above its lows, rallying from a sell-off sparked by the August US employment report.

A low of DM1.7230 was touched on news that August non-farm payrolls rose 34,000, against a revised fall of 73,000 in July, but the currency recovered as dealers decided that the figures were unlikely to prompt an immediate easing of the Federal Reserve's monetary stance.

Although forecasts varied quite widely the published data came as little surprise to most analysts. The general view was that the figures are consistent with a sluggish economic recovery. Later in the day the Fed stayed out of the New York money market when Federal funds were trading at the assumed target level of 5¼ per cent.

At the London close the dollar had fallen to DM1.7315 from DM1.7400; to SFr1.5235 from SFr1.5275; and to FFr5.8800 from FFr5.9075, but had improved to Y136.10 from Y135.85. Its index was unchanged at 66.8.

The yen weakened on speculation about a cut in the Bank of Japan's official discount rate, and on fears that a small Japanese bank may be in trouble. Rumours that a bank was facing bankruptcy were denied in Tokyo, but the comments by Mr Ryutaro Hashimoto, Japanese Finance Minister, that a cut in the discount rate is not being considered were largely ignored.

Dealers pointed to a slowdown in the economy, according to the Bank of Japan's latest corporate survey, and suggested that a rate cut now seems more likely.

Sterling improved against the dollar, yen and Swiss franc, but weakened slightly in terms of its partners in the European exchange rate mechanism.

The pound returned to third weakest member of the ERM after advancing one place up the system on Thursday. In general however the currency has so far shrugged off the latest cut in UK bank base rates.

An opinion poll giving the Conservative government a 4.5 point lead over the opposition Labour Party increased speculation about an early general election, but later in the day the optimistic mood was tempered by suggestions that rising unemployment may discourage Mr John Major, the prime minister, from risking an election this year.

Sterling rose ½ cent to $1.6980. It also climbed to Y231.00 from Y230.00 and to SFr2.5875 from SFr2.5850, while falling to DM2.9400 from DM2.9450; and to FFr9.9850 from FFr10.0025. The pound's index closed unchanged at 91.0.

The peseta was steady at the top of the ERM, waiting for Thursday's figures on Spanish inflation. A bank of Spain official hinted that a rate cut is not planned to match the British move.

£ IN NEW YORK

Sep.6	Latest	Previous Close
£ Spot	1.6980-1.6990	1.6938-1.6943
1 month	0.66-0.64pm	0.67-0.65pm
3 months	1.87-1.84pm	1.88-1.85pm
12 months	6.32-6.22pm	6.33-6.23pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 6	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.049	-4.18	5.61	73
Italian Lira	1538.24	1531.91	-0.41	1.61	26
Belgian Franc	42.4032	42.2726	-0.31	1.51	21
Dutch Guilder	2.31643	2.31337	-0.13	1.33	12
D-Mark	2.05586	2.05395	-0.09	1.29	14
Irish Punt	0.767417	0.767997	0.08	1.12	2
Sterling	0.696904	0.698109	0.17	1.02	-4
Danish Krone	7.84195	7.92692	1.08	0.11	-44
French Franc	6.89509	6.97760	1.20	0.00	-59

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6900 - 1.7060	1.6975 - 1.6985	0.66-0.64cpm	4.59	1.89-1.86pm	4.42
Canada	1.9305 - 1.9355	1.9340 - 1.9350	0.35-0.27cpm	1.92	0.85-0.72pm	1.62
Netherlands	3.3000 - 3.3200	3.3000 - 3.3200	⅜-¼cpm	1.13	⅞-½pm	0.76
Belgium	60.40 - 60.75	60.65 - 60.75	9-4cpm	1.29	19-9pm	0.92
Denmark	11.3360 - 11.3900	11.3800 - 11.3900	⅝-¼orepm	0.46	1-¼pm	0.22
Ireland	1.0955 - 1.1085	1.0995 - 1.1005	0.10-0.06cpm	0.87	0.21-0.11pm	0.58
Germany	2.9375 - 2.9470	2.9375 - 2.9425	⅜-¼pfpm	1.28	⅞-½pm	0.85
Portugal	250.95 - 252.55	251.50 - 252.50	74-94cdis	-4.00	271-309dis	-4.60
Spain	182.90 - 183.90	182.90 - 183.20	23-34cdis	-1.87	85-105dis	-2.08
Italy	2190.95 - 2198.50	2193.25 - 2194.25	1-3liredis	-1.09	7-9dis	-1.46
Norway	11.4800 - 11.5300	11.5200 - 11.5300	⅜orepm-par	0.20	⅛-⅜dis	-0.15
France	9.9800 - 10.0100	9.9800 - 9.9900	⅞-⅝cpm	0.90	1¾-1⅝pm	0.63
Sweden	10.6650 - 10.7100	10.7000 - 10.7100	¼orepm-par	0.14	⅛-⅞dis	-0.23
Japan	230.50 - 231.50	230.50 - 231.50	⅝-½ypm	2.92	1¾-1⅝pm	3.03
Austria	20.68 - 20.75	20.68 - 20.71	2⅛-1¼gropm	1.05	4⅛-2¾pm	0.66
Switzerland	2.5825 - 2.5925	2.5825 - 2.5925	½-⅜cpm	2.03	⅞-½pm	0.97
Ecu	1.4315 - 1.4410	1.4325 - 1.4335	0.10-0.05cpm	0.63	0.21-0.14pm	0.49

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.48-3.43cpm. 12 Month 6.40-6.30cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6900 - 1.7060	1.6975 - 1.6985	0.66-0.64cpm	4.59	1.89-1.86pm	4.42
Ireland†	1.5360 - 1.5440	1.5390 - 1.5400	0.50-0.45cpm	3.70	1.48-1.43pm	3.78
Canada	1.1385 - 1.1420	1.1390 - 1.1400	0.24-0.27cdis	-2.69	0.78-0.83dis	-2.83
Netherlands	1.9400 - 1.9605	1.9525 - 1.9535	0.56-0.59cdis	-3.53	1.73-1.78dis	-3.59
Belgium	35.60 - 35.80	35.70 - 35.80	9.00-11.00cdis	-3.36	28.00-34.00dis	-3.47
Denmark	6.6640 - 6.7160	6.7025 - 6.7075	2.15-2.45oredis	-4.12	6.45-6.35dis	-3.82
Germany	1.7210 - 1.7410	1.7310 - 1.7320	0.49-0.51pfdis	-3.47	1.50-1.53dis	-3.50
Portugal	148.50 - 148.65	148.55 - 148.65	102-112cdis	-8.64	325-345dis	-9.02
Spain	107.45 - 108.45	108.25 - 108.35	0.58-0.61cdis	-0.07	1.71-1.79dis	-0.06
Italy	1285.00 - 1297.00	1291.75 - 1292.25	5.90-6.40liredis	-5.71	18.30-19.30dis	-5.82
Norway	6.7350 - 6.8005	6.7850 - 6.7900	2.35-2.65oredis	-4.42	7.35-7.95dis	-4.51
France	5.8550 - 5.9150	5.8775 - 5.8825	1.78-1.83cdis	-3.68	5.44-5.54dis	-3.73
Sweden	6.2525 - 6.3210	6.3025 - 6.3075	2.25-2.50oredis	-4.52	6.95-7.50dis	-4.58
Japan	136.50 - 136.45	136.05 - 136.15	0.16-0.18ydis	-1.50	0.39-0.41dis	-1.18
Austria	12.1380 - 12.2430	12.2100 - 12.2150	3.40-3.80grodis	-3.54	10.80-12.00dis	-3.73
Switzerland	1.5140 - 1.5310	1.5230 - 1.5240	0.30-0.32cdis	-2.44	0.92-0.94dis	-2.44
Ecu	1.1790 - 1.1850	1.1840 - 1.1850	0.40-0.38cpm	3.95	1.20-1.14pm	3.95

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Sep 6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10½ - 10¼	10½ - 10¼	10⅜ - 10¼	10¼ - 10⅛	10⅛ - 10¼	10⅛ - 10⅛
US Dollar	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5⅝	6⅛ - 5⅞
Can. Dollar	8¾ - 8⅝	8¾ - 8⅝	8¾ - 8⅝	8½ - 8¼	8⅜ - 8⅛	8¼ - 8⅛
Dutch Guilder	9⅛ - 8⅞	9⅛ - 8⅞	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼	9½ - 9⅜
Swiss Franc	8 - 7¾	8¼ - 8	8⅜ - 8¼	8¼ - 8	8⅛ - 7⅞	7⅞ - 7⅞
D-Mark	9⅛ - 8⅞	9⅛ - 8⅞	9⅛ - 8⅞	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
French Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Italian Lira	12 - 10	11½ - 10¾	11½ - 11	11⅝ - 11¼	11⅞ - 11⅞	12⅛ - 11⅞
Belgian Franc	9⅛ - 8⅞	9⅛ - 8⅞	9¼ - 9	9⅜ - 9¼	9⅜ - 9⅜	9½ - 9⅜
Yen	6⅞ - 6¾	6⅞ - 6⅞	7⅛ - 7⅛	6⅞ - 6¾	6⅝ - 6⅝	6½ - 6½
Danish Krone	9⅞ - 9½	9⅝ - 9½	9⅝ - 9⅝	9¾ - 9⅝	9⅞ - 9⅝	9⅞ - 9¾
Asian $Sing.	6 - 5¾	6 - 5¾	6⅛ - 5⅞	6⅛ - 6⅛	6⅛ - 6⅛	6½ - 6⅜

Long term Eurodollars: two years 6⅛-6⅛ per cent; three years 7⅛-7⅛ per cent; four years 7⅜-7½ per cent; five years 7⅝-7⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep.6	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.698	2.940	231.0	9.985	2.588	3.315	2194	1.935	60.70	1.433
$	0.589	1	1.731	136.0	5.880	1.524	1.952	1292	1.140	35.75	0.844
DM	0.340	0.578	1	78.57	3.396	0.880	1.128	746.3	0.658	20.65	0.487
YEN	4.329	7.351	12.73	1000.	43.23	11.20	14.35	9498	8.377	262.8	6.203
F Fr.	1.002	1.701	2.944	231.3	10.	2.592	3.320	2197	1.938	60.79	1.435
S Fr.	0.386	0.656	1.136	89.26	3.858	1	1.281	847.8	0.748	23.45	0.554
H Fl.	0.302	0.512	0.887	69.68	3.012	0.781	1	661.8	0.584	18.31	0.432
Lira	0.456	0.774	1.340	105.3	4.551	1.180	1.511	1000	0.882	27.67	0.653
C$	0.517	0.878	1.519	119.4	5.160	1.337	1.713	1134	1	31.37	0.741
B Fr.	1.647	2.797	4.843	380.6	16.45	4.264	5.461	3614	3.188	100.	2.361
ECU	0.698	1.185	2.052	161.2	6.968	1.806	2.313	1551	1.350	42.36	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6980	1.6915	1.6792	1.6635	1.6345
D-mark	2.9400	2.9364	2.9331	2.9300	2.9205
French Fr.	9.9850	9.9180	9.8000	9.6850	9.4200
Swiss Fr.	2.5875	2.5828	2.5745	2.5619	2.5339
Yen	231.00	230.37	229.12	227.19	223.23

MONEY MARKETS

Rates stay soft

RATES MAINTAINED a soft tone on the London money market yesterday without any obvious objection from the Bank of England.

After some recent cuts in bank base rates the authorities have underlined their wish to prevent another early reduction by providing Friday loans to the discount houses for at least seven days.

When the Bank of England did not offer an early round of assistance to the market yesterday, despite forecasting a large day-to-day credit shortage, it was widely assumed that later in the day the houses would be invited to borrow funds at the existing base rate. This was not the case however, with the authorities conducting the entire day's operations via outright bill purchases.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Three-month sterling interbank eased to 10⅛-10⅛ from 10¼-10⅛ per cent and 12-month money was quoted at 10¼-10⅛ compared with 10¾-10⅛ per cent.

Short sterling futures remained active on Liffe, with prices finishing towards the top of the day's range. September delivery rose to 89.72 from 89.69, while the December contract climbed to 90.17 from 90.16.

The Bank of England initially forecast a credit shortage of £900m on the cash market, but revised this to £1,100m at noon and to £1,200m in the afternoon. Total help of £1,063m was provided.

Before lunch the authorities bought £757m bills outright, by way of £5m Treasury bills in band 1 at 10⅛ per cent and £752m bank bills in band 1 at 10⅛ per cent. In the afternoon another £306m bank bills were purchased outright, in band 1 at 10⅛ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £417m, with the unwinding of repurchase agreements on bills absorbing £482m, a rise in the note circulation £550m and bank balances below target £50m. These outweighed exchequer transactions adding £820m to liquidity.

At the weekly Treasury bill tender the average rate of discount on £300m of 91-day bills fell to 9.7200 from 10.0676 per cent and the average rate on £100m of 182-day bills declined to 9.4784 from 9.7953 per cent.

The highest accepted rate on 91-day bills fell to 9.7467 from 10.0876 per cent, equal to a price of £97.570. Bids at that level received about 20 per cent of the amount applied for.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.6)	3 months US dollars	6 months US Dollars	
bid 5⅝	offer 5¾	bid 5⅝	offer 5¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
102	-	-	-	0.04	-	-
103	-	-	-	0.08	-	-
104	-	-	-	0.18	-	-
105	1.82	-	-	0.33	0.73	-
106	1.15	-	-	0.61	-	-
107	0.63	-	-	-	-	-
Open Int	90,987	27,908	950	68,055	29,720	4,250

Estimated volume 24,471 Total Open Interest 221,870

POUND - DOLLAR

[illegible]

BANK RETURN

BANKING DEPARTMENT	Wednesday September 4, 1991	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	89,692,671	+ 963,380
Bankers Deposits	1,625,491,560	- 41,796,922
Reserve and other Accounts	3,313,385,897	+ 259,413,453
	5,043,123,128	+ 218,579,921
ASSETS		
Government Securities	1,249,315,591	- 207,800,000
Advance and other Accounts	2,353,905,990	+ 640,239,210
Premises Equipment & other Secs	1,430,182,206	- 215,463,223
Notes	9,536,835	+ 1,628,457
Coin	182,506	- 24,523
	5,043,123,128	+ 218,579,921
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	16,080,463,165	- 311,628,457
Notes in Banking Department	9,536,835	+ 1,628,457
	16,090,000,000	- 310,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	12,493,854,189	+ 1,964,705,997
Other Securities	3,585,130,711	- 2,274,705,997
	16,090,000,000	- 310,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Co-operative Bank	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	11	Coutts & Co	10.5	Midland Bank	10.5
AIB Bank	10.5	Cyprus Popular Bk	11	Mount Banking	10.5
● Henry Ansbacher	10.5	Dunbar Bank PLC	11	NatWestminster	10.5
B & C Merchant Bank	10.5	Duncan Lawrie	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	11.5
Banco Bilbao Vizcaya	10.5	Exeter Bank Limited	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	Financial & Gen. Bank	11	Roxburghe Bank Ltd.	12
Bank of Ireland	10.5	First National Bank Plc.	14	Royal Bk of Scotland	10.5
Bank of India	11	● Robert Fleming & Co.	10.5	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Robert Fraser & Ptnrs.	11	Standard Chartered	10.5
Banque Belge Ltd	11	Girobank	10.5	TSB	10.5
Barclays Bank	10.5	● Guinness Mahon	10.5	Unibank plc	10.5
Benchmark Bank	11	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	Heritable & Gen Inv Bnk.	10.5	Western Trust	10.5
CL Bank Nederland	10.5	● Hill Samuel	10.5	Westpac Bank Corp.	10.5
Citibank NA	11	C. Hoare & Co.	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Comm.Bk.of London Plc	10.5	Lloyds Bank	10.5		
		Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 1919

Exchequer 10½% Stk 2005 - £105⅞
Guaranteed Export Finance Corp PLC 12½% Gtd Ln Stk 2002(Reg) - £114⅞

Corporation and County Stocks
No. of bargains included 3

London County 2½% Cons Stk 1920(or after) - £23 (3Se91)
Greater London Council 6¾% Stk 90/92 - £97¾ 8

European Investment Bank 9% Ln Stk 2001 (Reg) - £92⅞ ⅜ ⅜ ⅝ ⅝ ⅝
9½% Ln Stk 2009 - £93¾ ⅝ ⅞ ⅝
10¼% Ln Stk 2004(Reg) - £100¾ ⅛ ¼
10¾% Ln Stk 2004(Br £5000) - £99¾ (4Se91)
11% Ln Stk 2002(Reg) - £105¾
Finland(Republic of) 11½% Ln Stk 2009 (Reg) - £107½ (3Se91)
Gibraltar (Government of) 11¾% Ln Stk 2005 (Reg) - £104¾ (4Se91)
Hydro-Quebec 12.75% Ln Stk 2015 - £113¾ 4
15% Ln Stk 2011 - £130⅞ (3Se91)
Inco Ld 15¾% Uns Ln Stk 2006 $ Rep Opt

[illegible]

Oil Search 30 (3/9)
Palabora Mining R76.7 (30/8)
Playmates Hldgs HK$4.75♦ (2/9)
Robinson & Co S$4.78♦ (2/9)
Selangor Coconuts 20
Storer Communications SK340.7♦ (2/9)
United Plantations Berhad S$2.522♦ (2/9)

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LONDON STOCK EXCHANGE

Steady close after a successful week

By Terry Byland, UK Stock Market Editor

POLITICAL factors continued to influence the London stock market yesterday, and equities rounded off the week firmly after the latest public opinion poll indicated increasing support for the governing Conservative Party. Early gains were trimmed when the August employment data from the US failed to excite Wall Street. But London saw a comfortable level of trading and closed within some ten points of the current high on the FT-SE Index.

The final reading showed the FT-SE Index at 2,667.4 for a gain of 4.1 on the day and 21.7 on the week. Equities have made a somewhat cool response to the half point reduction in base rates announced at mid-week, but have been encouraged by suggestions that a revival in the political fortunes of the Conservative government might prompt a general election in the UK in November.

Although Mr John Major, the UK prime minister, has sought to restrain speculation, the latest opinion poll, giving his government a lead of 4.5 points over the Labour opposition, revived hints of an autumn election in the City.

At best, the equity market was up by more than 14 points on the FT-SE scale to within three points of the all-time high. Shares were encouraged by a firm performance from the UK government bond sector, where longer dated issues put on about half a point. The Bank of England announced plans to sell bonds dated between 2003 and 2009.

Next Friday will bring the latest statistics on UK inflation, which are expected to show another significant fall. Some analysts predict that UK inflation will be down to about 3.3 per cent by the end of the year.

The announcement of the US employment statistics, which had been seen as a possible upset for investment sentiment, passed off quietly, with stocks markets regarding the figures as confirmation that the recovery in the US economy is proceeding without undue pressures.

UK stocks quietened down in the afternoon, and early gains were trimmed to leave the market with a mixed pattern. Seaq volume remained fairly brisk at 503.3m shares against 457.9m in the previous session. Traders said that intra-market activity again made up a substantial proportion of the day's business but commented that the market had remained firm despite a generally neutral day in terms of news.

Some analysts, notably at the Japanese securities houses, have suggested that, with further scope for base rate cuts now limited, the stock market may find it difficult to make further headway this year.

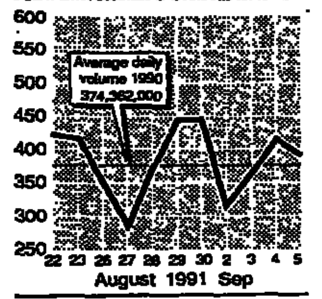
● Retail, or customer, business is now returning towards the the level of last year's daily averages despite this week's cuts in base rates.

Account Dealing Dates		
*First Dealings:		
Aug 12	Sep 2	Sep 16
Option Declarations:		
Aug 29	Sep 12	Sep 26
Last Dealings:		
Aug 30	Sep 13	Sep 27
Account Day:		
Sep 9	Sep 23	Oct 7

*New-time dealings may take place from 8.30 am two business days earlier.

London SE volume

Turnover by volume (million)
Excl:
Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Sept 6	Sept 5	Sept 4	Sept 3	Sep 2	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.62	86.50‡	86.38	86.39	86.16	78.07	86.62 (6/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.34	95.33	95.32	95.35	95.27	86.3	95.35 (3/9)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2093.6	2092.5	2094.2	2096.4	2106.3	1636.5	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	162.0	161.0	160.2	156.5	150.5	194.6	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2667.4	2663.3	2664.6	2669.0	2679.6	2122.9	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1195.17	1196.88	1196.20	1198.60	1197.26	- -	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.55	4.55	4.54	4.53	4.50	5.78				
●Earning Yld %(full)	7.37	7.37	7.39	7.38	7.33	12.3				
●P/E Ratio(Net)(★)	16.93	16.93	16.88	16.91	17.02	9.87				
SEAQ Bargns 4.45pm	33,987	28,609	30,161	30,102	29,544	20,279				
Equity Turnover(£m)†	-	824.91	896.46	791.17	692.79	580.33				
Equity Bargains†	-	28,107	30,167	30,298	29,561	19,981				
Shares Traded (ml)†	-	393.8	414.0	360.6	315.8	280.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ★ Nil 18.10 ‡Corrected

Ordinary Share Index, Hourly changes Day's High 2104.2 Day's Low 2092.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2096.4	2101.7	2101.0	2100.8	2100.4	2100.2	2098.9	2092.6	2093.5

FT-SE 100, Hourly changes Day's High 2677.7 Day's Low 2665.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2667.5	2674.7	2674.7	2673.8	2674.5	2674.5	2674.3	2665.8	2666.9

FT-SE Eurotrack 200, Hourly changes Day's High 1201.37 Day's Low 1194.45

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1199.45	1198.79	1197.82	1197.47	1197.61	1197.55	1195.93

GILT EDGED ACTIVITY

Indices*	Sept 5	Sept 4
Gilt Edged Bargains	89.3	97.0
5–Day average	85.1	82.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Demand for utility stocks

The latest published opinion poll, giving the Conservative Party a 4.5 per cent lead over Labour, provided the impetus for another sustained upward drive by the utilities sectors of the market. Water and electricity stocks, among the equity market's best performers this week, were notably strong.

Many of the City's big institutions moved heavily into the water stocks this week, anticipating a general election in November and re-election of the Conservative Party. Demand for the water stocks tended to be focused on the £1bn-plus stocks included in the Footsie index. "They're liquid stocks, easily traded and very attractive, with good yields and a consistent earnings flow," said one specialist.

He said at least one big institution had been switching its remaining holdings out of the smaller, less liquid water stocks, and into the Footsie stocks. Anglian rose 4 to 401p, leaving the shares up 29 over the week. Over the week North West were 20 ahead, Severn Trent up 32 and Thames 24 firmer.

Regional electricity stocks continued to move ahead, responding to a big buy note from Kleinwort Benson. The broker recommended the Electricity Package, up 45 to £2208, Manweb, 5 stronger at 261p, South Wales, 10 higher at 262p, London, 9 better at 221p and Yorkshire, 3 harder at 244p.

Rolls cheer

News of an order worth £250m cheered Rolls-Royce, the shares adding 5 to 143p. Turnover rose to 11m shares after Thai Airways said it had chosen Rolls' new Trent engine to power six new Boeing 777s it has ordered. The airline has taken options on a further six aircraft.

The market was relieved that Rolls had found a launch customer for its Trent engine on the 777 series. There was, however, some speculation that the company may have had to lower its margins to win the order.

Market sentiment towards Rolls has been cool since British Airways announced more than two weeks ago that it was to buy rival engines made by General Electric, of the US, to power its newly-ordered fleet of Boeing 777s.

Mr Peter Deighton, at County NatWest said: "This is a neat reversal of the situation of two weeks ago when BA bought GE engines. It is important that Rolls launches on Boeing's big plane." However, after brisk buying early in the session, US sellers of Rolls-Royce stock were noted in the afternoon.

Glaxo active

A re-evaluation of Glaxo's estimated full-year profits, which are to be announced on Thursday, helped the shares to gain 16 to 1381p. Mr James Culverwell of securities house Hoare Govett raised his prediction for the company by £88m to £1,250m. Also, the shares continued to benefit from a hefty review by Lehman Brothers of the world pharmaceutical market. The review, published earlier this week, highlights Glaxo as one of the top global performers within the next ten years.

A report in the US press, quoting suggestions that SmithKline Beecham had violated Federal law by promoting Relafon, its new anti-arthritis drug before it has received regulatory approval, led to a fall in the share price.

Although SmithKline rejected the reports yesterday, buyers backed away in London after at least one large investment fund sold stock in New York. The shares fell 8 to 789p.

Observers said the shares may also have been affected by expectations of good results from SmithKline's rival, Glaxo, which are published on Thursday.

Among brewers, recent talk of a bid for Allied-Lyons faded and the shares gave up 7 to 612p. Profit-taking was encouraged by advice from UBS Phillips & Drew to switch out of Allied and into Whitbread "A", up a penny at 500p.

Profit-taking and suggestions that Vaux may buy Brent Walker's brewing interests weakened the shares 6 to 234p. Among engineers, Simon Engineering shed 4 to 329p after a Smith New Court profits downgrade. The securities house shaved the current year forecast by £3.2m to £25.8m and the following year's figure was cut by £3.5m to £31.5m. Smith said the recovery in the company's markets was "muted".

British Aerospace shrugged off recent talk of a rights issue. The shares added 6 to 555p as turnover rose to 1.3m. Interim figures are due next week.

Laird Group added 7 to 279p after reporting half-time figures ahead of market forecasts. Interim profits fell from £21.6m to £14.3m. Smiths Industries firmed 7 to 294p in sympathy with Rolls-Royce.

Renewed speculation that Asda is to announce senior boardroom changes boosted turnover to 12m as the shares added a penny to 98p. The latest suggestion was that an executive from Tesco would join Asda as managing director, although analysts doubted this. Food specialists believed the supermarket group was more likely to announce a new chairman first.

Housebuilding stocks, which have long suffered from high interest rates, were among the stock market's best performers yesterday, responding to the latest cut in UK interest rates.

Beazer, expected to release details of the flotation of its non-US interests very soon, and in receipt of some strong American buying after the UK interest rate cut was said to have increased its flotation price, jumped 4½ to 98½p.

Sheltered homes developer McCarthy & Stone jumped 5¼ to 80¼p, while troubled property group Fairbriar almost doubled in price, closing a net 3¼ up at 7½p.

Ratners added 4 to 140p and continued to attract interest before its interim results on September 16 with the suggestion that it may have to buy in 17m shares for its employee pension scheme. There have also been suggestions that it will announce a pension holiday.

Reckitt & Colman continued to be affected by its gloomy post interim results meeting with analysts on Thursday. The shares slid 10 to 711p.

BP underperformed the market to close 2 off at 346p. The stock was again restrained by a note published by the oil team at Strauss Turnbull.

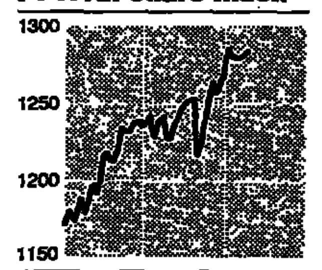
Strauss's 77-page document assessed the value of BP's recently announced Cusiana discovery in Colombia as being "no more than 5.3p a share," and the value to BP of its Mars discovery in the Gulf of Mexico as "no more than 1.5p a share."

British Land was unchanged at 312p as 3.5m shares were issued to pay for an office building bought by the company in Reading, south England. The company announced it had sold the shares to Smith New Court. There was widespread speculation that it sold the shares for 303p and Smith in turn had placed them with institutions at 308p.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jim McCallum, Steve Thompson.

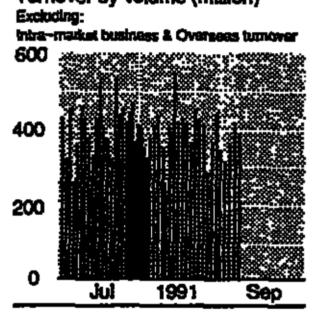
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 9.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (226).
BRITISH FUNDS (48) Treas. 2pc IL 1992, Tr 10pc 1992, Tr 8pc 1992, Tr 3pc 1992, Tr 10pc 1993, Fd 6pc 1993, Tr 8½pc 1994, Tr 10pc 1994, Tr 9pc 1994, Tr 12pc 1995, Ex 10¼pc 1995, Tr 9pc '92-96, Cv 10pc 1996, Do. B, Ex 10½pc 1997, Tr 8¾pc 1997, Ex 9¾pc 1998, Tr 6¾pc '95-98, Tr 15½pc 1998, Ex 12pc 1998, Tr 9½pc 1999, Tr 10½pc 1999, Ex 12¼pc 1999, Cv 10¼pc 1999, Cv 9pc 2000, Tr 13pc 2000, Tr 10pc 2001, Tr 14pc '98-01, Tr 9¾pc 2002, Tr 10pc 2003, Tr 11½pc '01-04, Fd 3½pc '99-04, Cv 9½pc 2004, Cv 9½pc 2005, Tr 12½pc '03-05, Tr 8pc '02-06, Tr 11¾pc '03-07, Tr 8½pc 2007, Tr 13½pc '04-08, Tr 9pc 2008, Tr 8pc 2009, Cv 9pc 2011, Tr 5½pc '08-12, Tr 7¾pc '12-15, Ex 12pc '13-17, Tr 2pc IL 1994, Tr 2pc IL 1996, Tr 2½pc IL 2013, CORPORATION LOANS (1) Leeds 13½pc 2006, BANKS (2) Lloyds, Secure Tst., BREWERS (3) Fosters, Greene King, Wolv. & Dudley, BUILDINGS (4) Newman-Tonks, Persimmon, Rugby, Wilson Bowden, CHEMICALS (5) Cambridge Isotope, Engelhard, Halstead (J), Plysu, Yorkshire, STORES (15) Alexon, Brown (N), Cantors A, Casket, Church, Coats Viyella, Courts, Hartstone, T & S, Wickes, ELECTRICALS (11) ACT, Alba, Delta, Druck, Gardiner, Life Sciences, Macro 4, Meavier-Swain, Microfilm Reprographics, Philips Finance 6⅜pc Ln. '81-94, Pressac, ELECTRICITY (2) London, Norweb, ENGINEERING (9) Ash & Lacy, BM, JMI, Laird, McKechnie, Powerscreen, Prospect Inds., Richardsons Westgarth, Vosper, FOODS (4) Everest, Iceland Frozen, Morrison (Wm) 5¼pc Prf., Salvesen (Ch), INDUSTRIALS (44) AIM, Airsprung Furniture, Alumasc, Avon Rubber, BBA, Do. 6.75pc Prf., Baird (Wm), Baynes (C), Betterware Cons. Prods., Bimec, Brit. Polythene, Calderburn, Cape, Community Hospitals, Darby, EIS, French (Th), Glaxo, Grampian, Johnson Cleaners, Kalon, Low & Bonar, MY, Mitsubishi, OMI Intl., Paterson Zochonis, Do. A NV, Pentland, Portals, Reliance Security, Serco, Security Archives, Seton Healthcare, Shanks & McEwan, Siebe, Smith & Nephew, Somic, TT, Tomkins (FH) 5.5pc Prf., UniChem, Warner Howard, Williams, Do. 6¾pc Prf., INSURANCE (4) Britannic, Gen. Accident, Refuge, Taisho, LEISURE (5) Border TV, Capital Radio, Central ITV, Chiltern Radio, Scottish TV, MOTORS (8) Cowie (T), ERF, Evans Halshaw, Kwik-Fit, Lex Service, Pendragon, Sanderson Murray Elder, Vardy (Reg), NEWSPAPERS (4) Daily Mail A, Euromoney Publications, Reed Intl., Utd. News., PAPERS (8) Cropper (J), Crown Comms., Ferguson Intl., Gold Greenlees Trott, Shandwick, Stat-Plus, PROPERTY (3) Land Securities 10pc Deb. 2030, Slough Ests., Do. 8¼pc Prf., TEXTILES (4) Allied Textile, Courtaulds, Lamont, Readicut, TRANSPORT (4) BAA, British Airways, Do. 9¾pc Cnv., Tibbett & Britten, TRUSTS (33) Aberforth Split Level, Archimedes, British Inv., City & Commercial Cap., EFM Inc. Zero Prf., Edinburgh Inv., English & Scottish, Flmg. Far Eastern, Flmg. Fledgeling, Foreign & Col. Smllr. Cos., Foreign & Col. Pacific, I & S Optimum Inc., Invesco MIM 9pc '95-00, Jersey Phoenix, Do. Wrrnts., Joe, Law Debenture, M & G, Malvern UK Index, Nth. Brit. Canadian, Pacific Horizon, Pacific Property, River & Merc. Amer. Inc., River & Merc. Extra Inc., Do. Wrrnts., Scot. Cities, Scot. Mortgage, Second Alliance, Shires Inv., TR Smllr. Cos., Throg. Dual Inc., Tor Inc., Tribune Inv., OILS (4) Fairhaven, Globe, Pittencrieff, Total B, MINES (2) Antofagasta, Falcon.
NEW LOWS (16).
BUILDINGS (3) CALA, Gibbs Dandy, Sandell, ELECTRICALS (2) Enterprise Computer, Gresham Telecomputing, ENGINEERING (1) WB Inds., INDUSTRIALS (3) Alexandra Workwear, Davies (DY), Securicor A NV, LEISURE (2) Expedier, Millwall, PROPERTY (1) Mickdegate, TRUSTS (1) Govett Amer. Endeavour, OILS (1) Pict Petroleum, MINES (1) Ennex Intl.

RISES AND FALLS YESTERDAY

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	66	1	16	327	36	52
Corps, Dom. & Foreign Bonds	4	4	12	32	10	58
Industrials	465	136	903	2,061	877	4,582
Financial and Props	182	64	508	876	336	2,514
Oils	25	14	49	87	75	278
Plantations	0	0	10	1	0	49
Mines	31	13	110	175	104	495
Others	33	41	65	131	194	386
Totals	806	273	1,673	3,690	1,632	8,414

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	98	502	-1
ASDA Group	12,800	98	+1
Abbey National	1,800	306	-1
Albert Fisher	494	103	
Allied-Lyons	1,800	612	-7
Amstrad	3,800	51½	+1½
Anglian Water	916	401	+4
Argos	761	331	
Argyll Group	2,200	313	+2
Arjo Wiggins	597	287	+2
Ass. Brit. Foods	9	511	-1
BAA	1,500	454	+2
BAT Inds.	2,000	680	+7
BET	2,800	221½	+5½
BICC	758	450	+4
BOC	1,300	598	-1
BPB Inds.	239	204	
BTR	5,400	424	
Bank of Scotland	763	126	
Barclays	927	475	
Bass	980	987	-4
Beazer	2,690	98½	+4½
Berisford Int.	237	37	
Blue Circle	2,100	272	+1
Booker	532	477	+5
Boots	1,280	439	+1
Bowater	218	893	+2
Brit. Aerospace	1,300	555	+6
British Airways	6,400	184	+4
British Gas	2,700	273½	-1
British Land	7,300	312	
BP	2,800	346	-2
British Steel	6,200	126	-1½
British Telecom	3,500	395½	+½
Bunzl	1,800	109	
Burmah Castrol	405	598	
Burton	5,300	46½	+½
Cable & Wire.	646	583	+2
Cadburys	1,000	386	-2
Calor Group	209	280	+1
Carlton Comms.	421	511	+7
Coats Viyella	4,100	187	+9
Comm. Union	45	618	-2
Cookson	2,100	130	+1
Courtaulds	919	465	-2
Dalgety	307	429	
De La Rue	76	488	
Dixons	1,000	288	+4
ECC Group	884	451	+9
Eastern Elect.	1,400	181	
East Midland Elect.	928	220	+7
Enterprise Oil	288	522	+5
Eurotunnel Units	194	485	+5
FKI	186	72	
Ferranti	1,800	9	+½
Fisons	2,100	489	+10
Forte	2,100	289	+3
Gen. Accident	520	584	+6
General Elect.	4,300	199	-2
Glaxo	1,700	1381	+16
Glynwed Int.	232	283	+4
Granada	772	172	-1
Grand Met.	1,100	844	+1
GUS A	324	1488	-11
GRE	1,300	198	-1
GKN	825	387	+1
Guinness	1,400	1032	+1
Hammerson 'A'	129	823	-2
Hanson	6,300	219	+1½
Hanson Warrants	1,000	34½	
Harrisons Crosfield	129	184	+1
Hawker Sidd.	398	804	
Hillsdown	4,000	250	-4
IMI	360	389	+5
ICI	752	1340	-8
Inchcape	1,800	385	+1
Kingfisher	940	571	+9
Ladbroke	858	282	
Land Securities	2,400	531	+2
Laporte	20	690	-1
Legal & General	1,700	442	-4
Lloyds Abbey	398	435	+11
Lloyds Bank	3,800	404	+5
LASMO	858	320	+3
London Elect.	2,100	221	+9
Lonrho	1,800	241	+6
Lucas	959	159	
MB Caradon	84	273	+2
MEPC	2,400	487	+1½
Manweb	174	261	+5
Marks & Spencer	659	288	+1
Maxwell Comms.	43	187	+1
Midland Bank	1,300	263	-1
Midlands Elect.	440	271	+4
NFC	939	205	-1
NatWest Bank	1,800	351	+2
National Power	2,800	198½	-1
Next	741	39	
North West Water	2,800	395	+2
Northern Elect.	300	222	+6
Northern Foods	139	525	-1
Norweb	250	232	+6
Pearson	1,400	788	-4
P & O	3,000	597	-5
Pilkington	2,500	169	
PowerGen	2,500	185½	+1
Prudential	994	261	+1
RHM	1,000	300	
RMC	383	676	+9
RTZ	841	596	+4
Racal	4,200	237	+4
Racal Telecom	799	342	+1
Rank Org.	1,000	728	-2
Reckitt & Colman	1,300	711	-10
Redland	1,200	595	+6
Reed Intl.	930	478	+8
Rentokil	99	352	
Reuters	295	925	-1
Rolls Royce	11,000	143	+5
Rothmans	79	1073	+3
Ryl Bk Scotland	1,800	198	
Royal Insurance	178	389	
Saatchi	5,100	15¼	+¼
Sainsbury	574	374	
Scottish & New.	595	415	+7
Scot. Hydro-Elect.	4,100	114½	+½
Scottish Power	9,800	107½	+1
Sears	6,900	92	+3
Sedgwick	922	258	+1
Seeboard	194	214	+3
Severn Trent Water	1,700	383	-1
Shell Transport	951	527	-3
Siebe	1,800	534	+9
Slough Ests.	565	273	
Smith (W.H.) A	746	495	+2
Smith & Nephew	1,200	138½	+1
SmKl Beecham	1,900	789	-8
SmKl Beecham Uts.	480	3425	-39
Smiths Inds.	555	294	+7
Southern Elect.	777	211	+6
South Wales Elect.	618	262	+1
South West Water	781	383	
South West. Elect.	648	212	+
Southern Water	118	350	+
Standard Chartd.	61	361	-
Storehouse	2,880	123½	-1½
Sun Alliance	1,200	379	2
T&N	468	182	2
TI Group	98	622	
TSB	3,300	154	+1
Tarmac	1,200	235	-1
Tate & Lyle	1,700	378	-3
Taylor Woodrow	569	[illegible]	-2
Tesco	4,500	[illegible]	-1
Thames Water	2,100	[illegible]	
Thorn EMI	279	[illegible]	-1
Tomkins	1,400	[illegible]	+5
Trafalgar House	675	[illegible]	
Ultramar	868	[illegible]	+2
Unigate	39	20	-2
Unilever	1,700	[illegible]	
United Biscuits	387	[illegible]	
Utd. Newspapers	615	402	+3
Wellcome	425	736	+3
Welsh Water	1,100	403	+9
Wessex Water	174	405	+6
Whitbread 'A'	947	500	+1
Williams Hldgs.	1,600	368	+2
Willis Corroon	257	289	-2
Wimpey	1,3[illegible]	190	+3
Yorkshire Elect.	[illegible]	244	+3
Yorkshire Water	[illegible]	408	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

STOCK INDEX futures continued to be influenced by political factors yesterday as traders took their cue from the lastest opinion poll which put the ruling Conservative party ahead of the opposition Labour party, writes Jim McCallum.

Although the poll gave an overall boost to the market, the growing awareness that a general election may be called this year also created unease and this occasionally led to unexpected setbacks.

Investors took the opportunity caused by this growing uncertainty to begin to unwind large stock trades hedged in the futures market. Whenever the September FT-SE contract approached fair value, there was buying of futures and selling of shares.

September FT-SE closed at 2,686, up 4 points on the day, while its premium to the cash index closed unchanged at 19.

Traded options had a quieter session. The equity market's rise generated more interest in calls. The strength in Rolls-Royce shares triggered selling of September 140 calls.

Sears 80 and 100 calls were also an active market, while in Amstrad there was buying of December 50 calls. Tesco 260 and 280 calls and British Airways 180 call were an options market feature.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	107.9107	-0.066	10.70	10.65	10.86
BELGIUM		9.000	06/01	98.7000	+0.200	9.20	9.28	9.35
CANADA *		9.750	12/01	100.6250	+0.125	9.65	9.63	9.76
DENMARK		9.000	11/00	98.7250	-0.025	9.20	9.24	9.34
FRANCE	BTAN	8.500	11/95	97.6483	+0.202	9.07	9.14	9.27
	OAT	9.500	01/01	103.5900	+0.360	8.90	8.96	9.10
GERMANY		8.750	08/01	101.9300	-0.040	8.46	8.45	8.55
ITALY		12.500	03/01	98.0000	+0.050	13.28	13.32	13.42
JAPAN	No 119	4.800	06/99	90.8356	-0.134	6.58	6.69	6.66
	No 129	6.400	03/00	100.8348	+0.168	6.25	6.36	6.51
NETHERLANDS		8.500	03/01	98.3500	+0.100	8.75	8.78	8.83
SPAIN		11.900	07/96	101.2200	+0.100	11.82	11.67	11.93
UK GILTS		10.000	11/96	100-30	+7/32	9.78	9.98	10.09
		10.000	02/01	101-16	+11/32	9.75	9.94	10.01
		9.000	10/08	95-10	+20/32	9.55	9.71	9.78
US TREASURY *		7.875	08/01	100-19	+14/32	7.79	7.81	7.87
		8.125	08/21	100-30	+20/32	8.04	8.06	8.19

London closing, *denotes New York morning session. Yields: Local market standard
Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1990 based on Thursday September 5 1991

Textiles	+	52.08
Packaging, Paper & Printing	+	48.97
Health & Household	+	46.31
Chemicals	+	44.11
Business Services	+	43.33
Telephone Networks	+	37.22
Engineering-General	+	36.67
Other Industrial Materials	+	33.70
Electricals	+	32.66
Stores	+	31.30
Banks	+	30.27
Other Groups	+	29.90
Consumer Group	+	29.05
Industrial Group	+	27.78
Insurance (Life)	+	27.33
Merchant Banks	+	26.51
Investment Trusts	+	25.74
500 Share Index	+	24.86
Electricity	+	24.66
All-Share Index	+	24.05
Media	+	23.72
Motors	+	23.72
Transport	+	23.38
Brewers & Distillers	+	22.50
Capital Goods	+	21.63
Conglomerates	+	20.41
Food Retailing	+	20.31
Food Manufacturing	+	19.96
Electronics	+	19.90
Financial Group	+	18.87
Water	+	14.71
Hotels & Leisure	+	14.62
Building Materials	+	14.09
Metals, Metal Forming	+	13.57
Insurance (Composite)	+	12.14
Insurance Brokers	+	10.08
Oil & Gas	+	7.97
Gold Mines Index	+	4.14
Contracting, Construction	+	3.94
Engineering-Aerospace	+	2.24
Property	-	1.31

COMMODITIES

WEEK IN THE MARKETS

Cocoa prices touch 9½-month highs

COCOA PRICES on the London futures market climbed to the highest level for nine and a half months this week as the consensus that next season could see the first world production deficit in eight years strengthened.

Heavy investment fund buying, lack of producer selling, constructive chart patterns and some light industry buying also contributed to the more bullish tone that lifted the December delivery position to £752 a tonne at one point. It closed yesterday at £744 a tonne up £44 on the week.

Traders were not getting too excited, however. Yesterday's closing quotation was less than £150 above the 16-year low reached at the end of May and £450 below the price ruling four years ago, which was at the time regarded as a very depressed level.

It is to this long price depression that analysts are attributing the expected 80,000-tonne to 100,000-tonne drawdown from world stocks in the 1991-92 season. Those figures broadly reflect the projected production drop in Brazil, the second biggest producer after the Ivory Coast, where cocoa growers are more exposed to world market forces than some of their West African counterparts. So they have been forced to cut back on applications of fertilisers and pesticides and on the employment of labour, with the inevitable result that yields have suffered.

A deficit of the order envisaged would hardly dent the total stocks level, however. According to the market report published in May by Gill & Duffus, the London broker, world stocks surged from the already-high level of 658,000 tonnes in 1982-83 to a record 1.46m tonnes at the end of the 1989-90 season, representing 34.5 weeks' consumption. And Gill forecast a further 139,000-tonne rise during the present season.

Nevertheless, this week's slight improvement in market sentiment may lighten the gloom somewhat at the meeting of the International Cocoa Organisation that began in London yesterday. Only routine business is likely to be tackled at the meeting, which ends next Friday, although there is bound to be further argument in the corridors about the $150m still owed by producer-members to the organisation's buffer stock fund. Price-support buying for the buffer stock was suspended several years ago when the stock reached its 250,000-tonne maximum.

The coffee market also maintained its upward momentum, apart from a brief setback on Monday. As Colombia's plan to prop up prices through a producers' retention scheme gained more credence following its presentation to the Brazilian president on Monday the November futures price moved up by £10 on the week to £564 a tonne, the highest for eight weeks.

Brazil and Colombia have set up what they describe as a "task force" to study the feasibility of the retention scheme, under which 10 per cent of coffee would be held off the market. Its findings are to be presented to a meeting of the International Coffee Organisation in London later this month.

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes		
Aluminium	+7,850	to 625,850
Copper	+2,950	to 310,000
Lead	+1,400	to 95,925
Nickel	-204	to 7,020
Zinc	+8,050	to 147,825
Tin	+180	to 16,200

Other supportive factors in the coffee market this week were unconfirmed reports of Indonesian export restrictions, dry weather in Brazil and concern about political upheavals in Zaire, a producer of robusta coffee.

But Zaire is a much more important supplier of copper, accounting for about 5 per cent of world production. So the situation there is being watched particularly closely at the London Metal Exchange. Early steadiness in the copper market evaporated after a feared tightening of the nearby supply situation by the operation of a large number of call options in mid-week did not materialise. But the prospect of disruption to Zairean supplies prompted a late wave of covering and the cash price closed yesterday with a £12 gain on the week at £1,369 a tonne.

The nickel market continued to be weighed down by worries about a growing supply surplus, aggravated by fears of further heavy deliveries of Soviet material into LME warehouses. But the cash position, which had earlier touched a fresh 18-month low, rallied by $40 yesterday, on news of an unexpected stocks cut, to end the week $205 down on balance at $7,740 a tonne.

At the London bullion market the platinum price recovered some more lost ground, helped by covering by Japanese operators against earlier short sales. The price was fixed yesterday afternoon at $342 a troy ounce, up $7 on the week.

Richard Mooney

APPOINTMENTS

New chief at Grandfield Rork Collins

■ GRANDFIELD RORK COLLINS, the corporate and financial communications consultancy within the Saatchi & Saatchi group, has appointed as non-executive chairman Mr Colin Day, a director of Henderson Administration.

Mr Day is chairman of Henderson Pension Fund Management and managing director of Henderson International.

Mr Iain Harris, former chairman of Lombard Group, has been named executive deputy chairman of GRC, and Mr Ben Vaughan, previously with Dewe Rogerson, becomes an associate director.

■ THE PRESS COMPLAINTS COMMISSION has named Mr Mark Bolland as assistant director.

■ Mr Merrick Taylor has joined the board of MAYFLOWER CORPORATION. He has been a senior executive director of Motor Panels (UK) since 1973 and is managing director of Motor Panels (Coventry).

■ At QUEENS MOAT HOUSES, Mr Maurice G. Hart has become a non-executive director.

■ DAVIES & NEWMAN HOLDINGS has appointed Captain John E.C. Mayes to the board. Captain Mayes joined Dan-Air Services in 1972. In 1988 he became operations manager, and in January this year was promoted to director, airline operations, with overall responsibility for all airline matters.

His appointment to the main board will not affect the continuity of his responsibilities as an executive director of Dan-Air.

■ Mr Colin Washbourn has been appointed managing director of PRAXIS SOUTH-EAST in Staines, the regional subsidiary of Bath-based software engineering company Praxis. He was general manager.

■ At HAMBRO GUARDIAN CONSULTANCY, Mr Keith Arscott, formerly marketing manager, has been named business development director.

■ ELAN, the UK overnight delivery company, recently purchased from DHL by Allegro Holdings, has made Mr Robert Torrance (pictured) its chief executive. He was previously a director at Hapag-Lloyd (UK) Holdings.

■ LIONHEART, the industrial holdings group, has appointed Mr Nigel Kingston as managing director of HAMILTON ACORN, its DIY and home improvement company. He was managing director of Rank Hovis McDougall's cake and confectionery division.

■ LEHMAN BROTHERS INTERNATIONAL has named Mr Peter Sherratt as legal director, with responsibility for the firm's legal matters in the UK, Europe and the Middle East. He was previously senior UK legal counsel.

■ Mr Norman Hobbs has been appointed sales and marketing director of THORLUX LIGHTING, a division of F.W. Thorpe. He has been with the company for 15 years and is switching from commercial manager.

■ Mr Michael Puttis (pictured) has become managing director of TRY DESIGN AND CONSTRUCT, part of the Try Group. He has been a director of Try Construction for the last four years.

■ QUASAR SPACE GAMES, a subsidiary of international leisure group Leisurecorp, has appointed Mr Jim Alexander to the new post of sales director. He was formerly employed by Courage, where he worked as wholesale operating manager for the UK.

■ KEY LEASING (U.K.), a division of T.I.P. Europe, has made the following management changes. Mr Ray Hill, founding director of Key Leasing in 1980, became managing director of the general leasing division of T.I.P. (non trailer rental) early in 1991 and has subsequently taken on overall responsibility for CSL Truck Rental and Car Hire, CONNECT - the MAN-VW truck dealership in Yorkshire - and MOBIEL - the Dutch office and modular building specialists.

Mr Hill retains overall control of Key Leasing (U.K.) and has been appointed a main board director of T.I.P. Europe.

Mr Tim Fox, another founding member of Key Leasing, has become finance director of the same division within T.I.P. Europe.

■ CELLTECH, the independent biotechnology company, has appointed Mr Iain Ross as a director of the company's biologics division. He was previously at Reed International. Dr John Birch has become technical director of the biologics division.

■ THE SEAGRAM SPIRITS AND WINE GROUP, a business unit of The Seagram Company Ltd, has appointed Mr G. Alain Bonta as vice president strategic planning. Mr Bonta, who will be based in London, joins Seagram from McKinsey & Company where he was senior engagement manager in Brussels.

■ DSC COMMUNICATIONS (EUROPE), the digital switching and networks supplier, has appointed Mr Alex Henderson, formerly director of business development for IBM (UK), as DSC's first director of business development.

■ Mr Derek Ablett has become a non-executive director of FREDERICK COOPER.

■ Mr John Sheldon and Mr John Gough have become joint chairman of the reinsurance division of HEATH MARTENS HORNER following the merger of Gough Sheldon with Heath Martens Horner.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Rothschild Fund Management—Contd.

Manulife Management Ltd (1200)H

St George's Way, Stevenage Dealings:071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	139.7	141.1	150.1	+0.8	3.58
Gilt & Fxd Int	5	149.4	149.4	157.1	+0.4	8.02
Intl Growth	5¼	147.4	147.4	156.8	-0.3	0.44
North American	5¼	99.06	100.2	106.6	-0.9	0.31
Far East	5¼	115.3	115.3	122.7	-0.3	0.51
UK Smaller Cos	5¼	103.7	103.7	110.3	+0.2	3.04
Europe	5¼	53.75	53.75	57.30	....	0.94
Japanese Growth	5¼	35.60	35.60	38.14	-0.04	0.00
Managed P'folio	5¼	50.50	50.91	54.16	+0.19	1.30
High Income	5¼	158.8	159.7	169.9	+2.3	5.51
High Yielding Gilt	5¼	61.36	61.36	64.61	-0.01	10.31
Cash		51.76	51.76	51.76	....	9.22

Geoffrey Morley Unit Mgrs Ltd (1200)F

3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	121.86	121.86	129.47	+0.59	2.60
Exempt Smllr Cos	3¼	237.03	237.03	256.81	+2.46	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

هكذا منه التحمل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Funds in Court*

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Allied Dunbar Assurance Plc

Century Life Plc

Eagle Star Life Assurance Co Ltd

Guardian Royal Exchange

Legal & General (Unit Pensions) Ltd

Manulife Group – Contd.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

MANAGEMENT SERVICES

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	Bid Price	Offer Price	+ or -	Yield Gross
Barings International Fd Mngrs (Ireland) Ltd				
Australia	$16.39	17.00	+0.01	1.05
Japan Tech	$58.55	61.48	+0.07	-
Japan Fund	$24.41	25.93	+0.05	0.17
Japan New Gen Fd	$28.45	29.40	+0.04	-
Malay Sing	$53.43	56.11	-0.24	0.31
Nth America	$21.72	22.81	-0.16	0.58
Octopus Fund	$21.43	22.40	-0.10	0.88
Pacific Fd	$61.37	64.44	-0.02	-
International Bond	$16.69	17.53	-0.04	6.89
Europa Fund	$13.12	13.78	+0.07	-
British Screen Fd	£0.94	0.99	-	-
Trister Warrant	$10.83	11.38	-0.09	-
Hong Kong	$48.76	51.20	-0.30	3.09
Mngd Portfolio (Stlg)	£4.36	4.59	-0.01	-
Mngd Portfolio (DM)	[illegible]	20.71	-0.04	-
Currency Fd-Sterling	£19.36		+0.01	-
Currency Fd-US Dollar	$15.28		-	-
Curr Fd-Deutschemark	DM40.26		+0.01	-
Curr Fd-Managed	[illegible]	45.47	-0.03	-
Federated International Funds Plc				
Federated Short-Term US Gov't Securities Fund				
Institutional Ser Series*	$1.00		....	5.72
Investment Series*	$1.00		....	5.72

* Annualised Yield

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Intl Credit Portfolio	6	[illegible]	1.6001	1.6604	.....	1.66
Gilt	3	[illegible]	0.9447	0.9741	[illegible]	10.27

For MIM see INVESCO MIM

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 76077						
Govt Secs Fd	4	55.79	55.79	58.28	+0.08	9.61
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 73494						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	103.26	103.26	106.36	+0.03	10.50
Gilt & Fixed Interest	3	104.62	104.62	107.76	+0.02	8.96
Blue Chip & Gilt Edge	5	52.60	52.60	55.98	+0.31	3.57
International Bond	5	110.10	110.10	115.61	-0.01	6.93
UK Equity	5	127.12	127.12	137.93	+0.24	1.00
International Equity	5	114.82	114.82	122.73	-0.46	0.00
Far Eastern	5	91.64	91.64	98.29	-0.52	0.00
European	5	89.30	89.30	94.46	+0.69	0.00
Pan American	5	141.63	141.63	150.71	-1.30	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	97.95	97.95	101.21	-0.10	10.18
Monthly Share	3	95.91	95.91	99.08	-0.10	10.40

	Bid Price	Offer Price	+ or -	Yield Gross
Warburg Asset Management Jersey Ltd				
CI Island & Int.	£17.44	[illegible]		
Energy Int.	$118.58	[illegible]		
Mercury Bond Sept 4	$28.01	[illegible]		
Merc Int Trust Aug 15	£14.44	[illegible]		
Merc Money Mkt Stlg	£40.[illegible]			
Mercury International Inv Tst Ltd				
Conti Europe Fd	£64.69	[illegible]		
Nth America Fd	£44.34	[illegible]		
Japan Fd	£42.98	[illegible]		
Pacific Fd	£46.60	[illegible]		
Reserve Fd	£90.06	[illegible]		
Wardley Fund Managers (Jersey) Ltd				
Wardley Funds Limited				
Managed Currency Fd	$16.41	[illegible]		
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd †	$251.67	[illegible]		
Excalib Global Eqty $*	$52.05	[illegible]		
Excalib Global Eqty DM*	DM20.02	[illegible]		
Excalib Global Fxd Inc DM*	DM23.12	[illegible]		

Valued weekly. * Mondays. † Wednesdays.

ISLE OF MAN (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM 0624 661551						
ADI Managed (2)	5	[illegible]	0.5758	0.6132	(2)	-
ADI Mgd Currency (2)	5	[illegible]	0.3803	0.4002	(2)	-
ADI W'wide Eqty (2)	5	[illegible]	0.6403	0.6819	(2)	-
ADI Nth Amer Gth (2)	5	[illegible]	0.7446	0.7929	(2)	-
ADI Far East (2)	5	[illegible]	1.1120	1.1840	(2)	-
ADI Gilt & Income (2)	5	[illegible]	0.2480	0.2610	(2)	-
ADI UK Cap Gth (2)	5	[illegible]	0.2390	0.2545	(2)	-
ADI Europe Fd (2)	5	[illegible]	1.2000	1.2760	(2)	-

For cancellation Prices of Shares Phone 0624 662860

Asset Global Funds Ltd (1200)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Currency Funds				
Sterling	£20.98		+0.01	9.4
US Dollar	$31.21		+0.01	4.7
Deutschemark	DM54.31		+0.01	7.7
Yen	Y4,006		.....	5.9
Managed Multicurrency	£13.29	13.77	.....	-
Managed Multicurrency	$25.05	25.94	+0.01	-
Bond Funds				
Sterling Bond	£0.410	0.428xd	+0.001	11.1
US Government Income	$96.81	100.25xd	-0.06	6.8
Asian Selection Funds				
Hong Kong	$12.684	13.352	-0.006	1.3

[illegible]

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund (a)

41 Ave de la Gare, L-1611, Luxembourg

Aetna Intl Umbrella Fund (a)

47 Blvd Royal, PO Box 275, L-2012 Lux

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

WORLD STOCK MARKETS

US MARKETS (3:30 pm)

September 6	US$	+ or −
AAR Corp	15⅞	−⅛
AMP Inc	53⅞	−⅛
AMR Corp	56½	−⅞
ASA	45¾	+⅞
Abbott Labs	54⅞	+⅛
Acme Cleveland	6⅝	+⅛
Adobe Res	7½	−⅛
Advanced Micro	11⅞	+⅛
Aetna Life	34½	+½
Affiliated Publ	8¾	....
Ahmanson (HF)	18¼	+¼
Air Prod & Chemical	67¾	....
Alberto-Culver B	23¼	−⅜
Albertson's	41⅞xd	−⅛
Alcan Aluminum	20⅜	+⅛
Alco Standard	33	....
Alexander & Alex	20⅛xd	+⅛
Alex & Baldwin	26¼	....
Allegheny Power	41¼	−⅛
Allied Signal	38⅛	−⅛
Aluminum Co of Am	67½	−⅜
Amax	20⅝	−⅛
Amdahl Corp	13⅞	+⅛
Amerada Hess	56⅝xd	−1
Amer Brands	43¼	....
Amer Cyanamid	63	....
Amer El Power	30¼	+¼
Amer Express	26⅛	−⅜
Amer Family Corp	23⅞	−⅛
Amer Genl Corp	40	+⅛
Amer Greetings Cl A	32½	+⅛
Amer Home Pr	63½	....
Amer International	85⅞xd	+1⅞
Amer Natl Ins	34xd	....
Amer Stores	39⅞	+½
Amer T & T	39¼	−⅛
Ameritech	62	+1¼
Ames Dept Stores	1.75	+0.13
Ametek Inc	12⅛xd	−⅛
Amoco	53¼	+¼
Analog Devices	7⅞	−⅜
Anheuser-Busch	53¼	....
Aon Corp	36⅝	....
Apple Computers	51¼	+¼
Archer Daniels	25⅞	....
Arkla	16⅝	−¼
Armco	4.37	−0.38
Armstrong World	32¾	+⅛
Asarco	26¼	+⅛
Ashland Oil	30⅝	−⅛
Ashton-Tate	16¼	....
Atlantic Richfield	118¼	+⅝
Auto Data Pro	33	−⅝
Autodesk	45¼	−½
Avery Dennison	22xd	−¼
Avnet Inc	25¼	−⅛
Avon Products	43⅞	−¼

September 6	US$	+ or −
Conti Corp	24⅞xd	−⅜
Control Data	9	−⅛
Cooper Inds	54¼	−⅜
Coors (Adolph)	19¾	−¼
Corestates Finl	42⅛xd	−⅝
Corning Inc	68¾xd	−⅛
Crane	26¼xd	−⅜
Cray Research	42⅝	+⅞
Cross & Trecker	5¼	−⅛
Crown Cork & Seal	85¾	+⅛
Cummins Engine	40¾	+⅛
Curtiss-Wright	32¾	−¼
Cypress Semicond	20⅜	....
Cyprus Minerals	21⅛	+¼
DSC Commun	5⅝	−⅜
DQE	27xd	+¼
Dana Corp	30⅜	....
Data General	20⅞	+1⅛
Dayton Hudson	75⅜	−½
Deere	51¼xd	....
Delmarva Pwr & L	19½	−⅛
Delta Air Lines	64¼	−⅝
Deluxe Corp	46½	+¼
Detroit Edison	30⅞	+⅛
Dial Corp.Ariz	36⅝	−⅛
Diebold Inc	46⅞	+1⅛
Digital Comms	12⅞	+⅛
Digital Equipment	61⅝	+½
Dillard Dept St	130⅝	+½
Disney (Walt)	115⅞	...
Dominion Res	49⅛	....
Donnelley (RR)&Sons	45⅝	−⅛
Dover Corp	38⅝	....
Dow Chemicals	53⅜	−¼
Dow Jones	25¼	+⅜
Dravo Corp	9	−⅛
Dresser	20xd	−⅛
Dreyfus Corp	33⅜	+⅝
Duke Power	29⅝	....
Dun&Bradstreet	44⅛	+⅛
Du Pont	46⅞	−½
E G & G Corp	43⅝	+¼
E-Systems	35¼xd	+½
Eastern Enterprises	24⅜xd	+⅜
Eastman Kodak	42⅝xd	+⅞
Eaton Corp	64¼	−⅜
Echlin Inc	13¼	−⅞
Emerson Electric	47⅜	−⅝
Engelhard Corp	33⅜	−⅜
Enron Corp	64xd	−1
Enserch Corp	17	....
Entergy Corp	24½	−⅛
Ethyl Corp	24⅝	−⅛
Exxon	59	+¼

INDICES

WORLD STOCK MARKETS

AMERICA

Dow moves in a tight range as Fed fails to act

Wall Street

SHARE PRICES stayed in a tight trading range yesterday morning. Hopes of a cut in interest rates receded when the Federal Reserve kept monetary policy steady in the wake of a modest rise in employment totals, *writes Patrick Harverson in New York.*

By 1pm the Dow Jones Industrial Average was down just 2.68 at 3,005.81. The more broadly based Standard & Poor's 500 weakened slightly, easing 0.87 to 388.27, while the Nasdaq composite of over-the-counter issues edged 0.13 higher to 517.06. NYSE volume was 94m shares.

Before the opening, all eyes were on the August employment numbers which, when released, showed a rise in non-farm payrolls of 34,000 and an unchanged unemployment rate of 6.8 per cent. The data were in line with expectations, and failed to spur the Fed into cutting the discount rate.

Although analysts are not ruling out the possibility of an easing in policy in coming weeks, the lack of a move yesterday disappointed investors.

The bond market, however, took a more positive view of the employment numbers. By early afternoon the benchmark 30-year Treasury bond was up ¾ at 100⅛, yielding 8.024 per cent, while the two-year note was up ⅛ at 100⅛, yielding 6.255 per cent.

Among individual issues, there was an order imbalance in UAL owing to a queue of sellers. When the shares opened after a brief delay, they dropped $3¾ to $127⅝ in volume of 2m shares.

The sell-off followed cuts in earnings estimates for the airline by a group of Wall Street analysts, on the news that the amount of revenue UAL has been earning on each passenger mile remains weak.

Other big airline stocks were troubled by the UAL decline, with AMR, parent of American Airlines, falling $¾ to $56⅝ and Delta slipping $¾ to $64⅛.

American Express fell $⅛ to $26 in active trading as investors reacted to news that the group's investment banking subsidiary, Shearson Lehman Brothers, had suspended two senior executives in the equity department as part of an investigation into improper trading of ConAgra shares.

Yesterday ConAgra, which has been paid $550,000 by Shearson because of the affair, held steady at $46⅝.

Pfizer jumped $2 to $67¼ in 1m shares after a spokesman said that the company had received an "approvable letter" from the Food and Drug Administration for Zithroma, its antibiotic drug, and that it was now in discussions over labelling. Analysts expect the drug to receive full approval before the end of this year.

BRAZIL rose 5.6 per cent on interest rate hopes yesterday, hitting a record high at the end of floor trading. The Bovespa index in dollar terms gained 0.03 to 0.57.

Canada

TORONTO made a listless reaction to the long-anticipated US unemployment data, the composite index easing 0.7 to 3,484.8 by midsession. Declines led advances by 210 to 205 in volume of 16.8m shares valued at C$248.8m.

Among active issues, Maclean Hunter eased C$⅛ to C$10, Canadian Pacific rose C$⅛ to C$18⅞, Bank of Nova Scotia fell C$¼ to C$19⅛ and PWA Corp slipped 60 cents to a 52-week low of C$4.90.

SOUTH AFRICA

SPECULATIVE demand for quality shares lifted Johannesburg yesterday. The continued shortage of scrip also pushed prices higher, although volume was thin.

The industrial index rose 46 to a record 4,189, passing the previous peak of August 14, as Sasol jumped another R1.10 or 6.8 per cent to R17.25 on its recent annual results. The all-gold index gained 9 to 1,163 as bullion prices edged higher.

Hong Kong collects its thoughts after all-time high

Worries about Jardine Matheson's domicile have replaced a property share boom, writes Angus Foster

MR JOHN Major may have impressed the world with his statesmanship, but he cut little ice this week with the Hong Kong stock market.

The blue-chip Hang Seng index closed down 19.25 at 3,970.91 yesterday, a loss of nearly 30 points on the week. This was in spite of the UK Prime Minister's visit to Beijing, where he signed the agreement on the colony's new airport. Although business is happy that the project is going ahead, the news had already been discounted and Hong Kong is mindful of other worries.

The market is now concerned about a threatened delisting of Jardine Matheson. The controlling Keswick family arrives in Hong Kong this weekend ahead of the group's interim reporting season. There are also fears that China, in defensive mood because of events in the Soviet Union, may speak out against Hong Kong's moves towards democracy. Next week Hong Kong holds its first ever direct elections for some seats in the ruling Council.

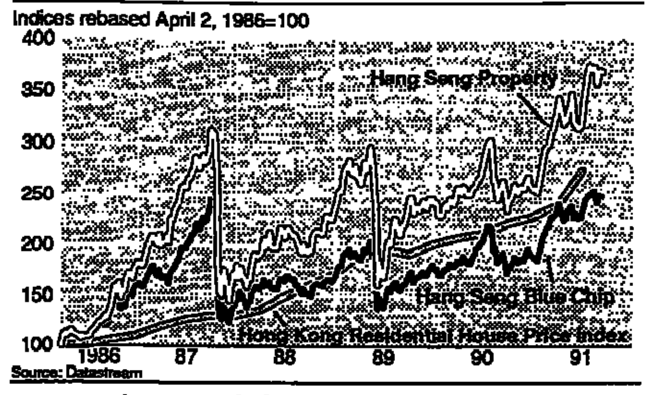
The index has been consolidating since mid-August, when it hit an all-time high of 4,079.01. It quickly recovered a sharp loss following the Soviet coup, but has since been lacklustre.

"It's just drifting off. The market needs new impetus and that is just not there at the moment," according to Mr Richard Witts, managing director of United Mok Ying Kie. Turnover yesterday fell below HK$1bn (US$129m) for the first time in three weeks and amounted to HK$964.8m.

Much of the reason for the drifting is that Hong Kong has already gained 31 per cent this year. In the first half of the year property companies, which account for 30 per cent of the index and usually drive the market, led the gains as residential housing prices increased, sometimes by up to 40 per cent.

Homebuyers returned to a market buoyed by effectively negative mortgage rates and renewed economic confidence following the end of the Gulf war. With inflation averaging more than 12 per cent this year, property is also being seen as an investment hedge.

Hong Kong Indices



Source: Datastream

Cheung Kong, Mr Li Ka-shing's property development group, has risen by 70 per cent this year. However, property prices are now expected to stabilise and there are even some fears of a correction. Hong Kong's affordability ratio, which measures the percentage of household income spent on mortgage repayments, has crept back above 70 per cent.

But the figure is still some way off the ratios of more than 100 per cent witnessed in the early 1980s, before Hong Kong's property crash. Mr Enzio von Pfeil at Smith New Court (Far East) says that the index is also misleading because it understates household incomes. For this and other reasons, he does not expect a property crash.

Meanwhile, investors are cautiously looking elsewhere. HSBC, the new London-based holding company for Hongkong Bank, is undergoing a re-rating following the bank's higher-than-expected interim profits, up 21.6 per cent at HK$1.86bn. Several brokers have published extremely optimistic reports on the bank, predicting that problems with its overseas subsidiaries are nearly over.

Utilities, which have underperformed so far this year, may also come back into play. "If we go into a prolonged consolidation phase, people will start looking at defensive stocks again," says a UK securities house in the colony.

Jardine Matheson's plans to move its primary listing to London, and its threat to delist from Hong Kong, knocked its shares down by nearly 9 per cent at the end of August although the stock has now recovered. Jardine says that it is worried about China interfering in Hong Kong after 1997; but the company wants its shares to continue to be traded on the Hong Kong exchange, where the group accounts for about 10 per cent of market capitalisation.

The Securities and Futures Commission, the overall market watchdog, and the stock exchange are now preparing public consultation documents and all sides hope a compromise can be reached.

It is not clear what effect Jardine's move to London, or a delisting from Hong Kong, would have. While it may affect Hong Kong's image as a regional financial centre in the short term, it seems unlikely that investors in the group would stop buying and selling Hong Kong shares altogether.

If the company does delist, say Hong Kong fund managers, they would have to reinvest their current exposure to Jardine in other Hong Kong stocks. Hong Kong pension funds would also be sensitive to currency exposure from holding Jardine's sterling denominated shares.

With the market searching for direction, analysts are split over the immediate outlook, but most foresee the index ending the year at 4,000-4,200. Looking to next year, corporate profits growth – expected to be 13-15 per cent compared with an inflation rate of less than 10 per cent – will be the driving force, as long as political troubles with China remain in the background.

ASIA PACIFIC

Further fall in short-term rates boosts volume to 650m

Tokyo

A SHARP fall in short-term interest rates encouraged active trading yesterday. Volume swelled to 650m shares on heavy trading in rate-sensitive shares, although prices ended below their highs as suggestions that the economy was not as weak as expected dented hopes of a discount rate cut, *writes Emiko Terazono in Tokyo.*

The Nikkei average rose 192.95 to 22,692.60, a gain of 1.6 per cent on the week, after moving between a low of 22,489.47 and a high of 22,998.91 in the afternoon. Gains led losses by 747 by 249, while 138 issues were unchanged. The Topix index of all first section stocks added 13.97 to 1,763.36 and, in London trading, the ISE/Nikkei 50 index rose 4.17 to 1,335.63.

The injection of additional funds into the money markets by the central bank pushed the overnight unsecured call rate down to 6.9 per cent from 7.25 per cent, its first fall below 7 per cent since June last year. Government bond markets and futures rallied sharply, and share prices followed.

Volume, which had reached 450m shares on Thursday, rose above the 600m level for the first time in 10 weeks. Traders said that buying had been led by foreigners and dealers, but there had also been demand from individuals and institutional investors, who had been reluctant recently to commit new funds to equities.

The release of the Bank of Japan tankan, or quarterly survey of business sentiment, prompted profit-taking in the bond and stock markets, as it revealed that conditions were not as weak as most economists had expected. The central bank reported that, although business sentiment was weaker, capital investments had been revised upwards.

Comments by the Bank of Japan that the economy was slowing gradually rather than sharply, discouraged market participants, who were expecting a cut in the official discount rate in the first half of this month. Analysts said that the central bank now intended to implement monetary policy through controlling the overnight call rate.

Interest rate-sensitive, large-capital stocks were heavily traded. NKK, the most active issue of the day, rose Y5 to Y405 and Nippon Steel added Y8 to Y436.

Ohbayashi Road Construction, the roadbuilder, rose Y40 to Y2,280, hitting its year's high on buying by foreigners. Other issues in the sector were also firm on expectations that they will benefit from the government's public works spending plan.

Continued interest in the cancer drug theme pushed Asahi Glass up Y20 to Y1,210. Reports that the company had developed a new drug to prevent the spread of cancer triggered the rally.

In Osaka, the OSE average rose 219.72 to 24,865.73 – its seventh consecutive gain – in heavy volume of 88.7m shares, up from 86.8m. Nintendo, the game maker, added Y500 to Y12,800. Investors were encouraged by the decline of its previously high margin balance.

Roundup

THE REGION's markets made a muted end to the week, although Australia, like Japan, had plenty of business.

AUSTRALIA saw a big lift in turnover, up from A$148m to A$522m, although the All Ordinaries index put on only 0.3 to 1,572.0, up 2.1 per cent on the week.

Large blocks of shares changed hands. Mayne Nickless sold 58.3m shares, or 11.8 per cent, of Amcor at A$5.25 each. Amcor slipped 2 cents to A$5.44.

Lend Lease, the property group, sold around 10 per cent of the supermarket developer and manager, Westfield Holdings, to brokers JB Were, which sold it on to a variety of investors at A$3.825. Westfield closed down 40 cents at A$3.95.

Around 13m shares in Australian Consolidated Investments, formerly Bell Resources, passed through the market. ACI closed down 1 cent at 25 cents.

TAIWAN ended a mixed week with banks strong and the weighted index up 109.46 at 4,624.83, 2.4 per cent up on one day but only 1.3 per cent higher over five. There were rumours yesterday that the central bank had decided to cut its discount rate. BANGKOK was lifted by finance shares, as the SET index ended 5.45 higher at 728.51 on a turnover of 3.66bn baht.

KUALA LUMPUR fell 0.8 per cent on the day on index-linked selling, but rose by the same amount on the week. The composite index shed 4.58 to 557.92. SINGAPORE settled into a narrow range. The Straits Times Industrial index eased 1.07 to 1,420.42, 0.8 per cent lower on a rumour-driven week.

MANILA fell in last-minute selling, spurred by fears that the Philippine Senate will reject the controversial treaty that would allow the US military to continue operating its Philippine bases for 10 more years. The composite index declined 11.22 to 1,003.22, down 1.4 per cent on the week.

SEOUL's composite index rose 0.13 to 674.94, down 1.6 per cent on the week. Recent foreign buying in NEW ZEALAND petered out after a jump in the value of the New Zealand dollar. The NZSE-40 index closed 6.92 lower at 1,425.23, still 0.7 per cent higher on the week.

EUROPE

Early US downturn wipes out French gain

WEAKNESS ON Wall Street wiped out an early French gain yesterday. Most bourses, other than in Scandinavia, finished the week little changed, *writes Our Markets Staff.*

PARIS reached a day's high of 1,874.98 on the CAC 40 index, before closing 8.28 lower at 1,860.39. The index rose 0.6 per cent on the week. Turnover was moderate after Thursday's FFr2.7bn.

Lafarge Coppée, the cement maker, fell FFr15 or 4.1 per cent to FFr354.50 in volume of 312,830 shares. A Paris broker issued a sell recommendation on the stock, while Thursday's news of a sharp fall in interim profits at Blue Circle of the UK hurt sentiment in the sector.

Among other losers, Peugeot lost FFr12 to FFr602 on comments by the finance director, while Michelin shed FFr4.30 to FFr120.60 on profit-taking.

LVMH fell FFr39 to FFr4,061 in 42,510 shares as the Vuitton family confirmed the sale of 400,000 shares, or 2.4 per cent, of the luxury goods group, to Goldman Sachs.

Fives Lille leapt FFr31 to FFr315 in 195,050 shares. The stock has risen 24 per cent in two days, following the holding company's profits forecast.

CSEE, the electronics company, was suspended at Thursday's closing FFr168.20, as Quadral bid FFr150 for the shares it does not own.

FRANKFURT, depressed and flat, sought solace in a little more speculation as Hoesch, Klöckner-Werke and Thyssen put on DM6.20 to DM306.50, DM1.70 to DM150 and DM2.90 to DM241.20, respectively.

Mr Adrian Phillips, head of European research at Kleinwort Benson, said that this suggested a move on cyclical recovery situations by investors frightened of being left behind when the European industrial economy turns.

Other stocks to move included Degussa, the chemicals and metals group, which rose DM8.10 to DM339.50.

The DAX index closed 0.99 lower at 1,646.18 after a 1.43 rise to 683.00 in the FAZ at midsession. Falls on the week were 0.3 and 0.4 per cent respectively. Volume rose from DM2.9bn to DM3bn.

AMSTERDAM edged higher, as short-covering and selective buying of international blue chips outweighed a disappointing inflation figure for August. The CBS tendency index rose 0.1 to 92.6, a gain of 1.5 per cent on the week, in low volume.

Heineken lost Fl 1.70 to Fl 149 before announcing its half-year results at the low end of market expectations. One analyst said that the shares did not justify their level of 12 or 13 times earnings. But she added that the price had already fallen Fl 14.60 from its year's high and so was unlikely to fall much further.

Interim figures on Thursday helped Internationale Nederlanden, the banking and insurance group, gain Fl 1 to Fl 50.30 and Ahold, the retailer, add 70 cents to Fl 83.20.

MILAN's Comit index fell 1.74 to 553.55, 0.3 per cent lower on a week debilitated by the postponement of the August account settlement.

Transport had a poor day. Fiat closed another L33 lower at L5,605, following Thursday's release of statistics, which indicated that the company had not benefited from a recovery in Italian car sales. Alitalia, a notoriously volatile airline stock, shed L40 to L750.

ZURICH was disappointed that Swiss annual inflation fell to only 6.0 per cent in August from 6.6 per cent in July, and eased ahead of Monday's local holiday. The Crédit Suisse index lost 1.7 to 533.2, 1.1 per cent lower on the week.

OSLO fell for the sixth day in a row, the all-share index losing 1.00 to 509.87 for a 2.3 per cent decline on the week. Elsewhere in the Nordic region, STOCKHOLM and HELSINKI lost 3.2 and 3.5 per cent respectively on the week.

FT-SE Eurotrack 100 - Sep 6

Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1127.46	1127.42	1126.03	1125.32	1125.43	1125.25	1124.22	1124.68

Day's High 1127.80 — Day's Low 1122.77

Sep 5	Sep 4	Sep 3	Sep 2	Aug 30
1126.92	1125.48	1128.91	1126.81	1125.84

Base value 1000 (26/10/90).

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	THURSDAY SEPTEMBER 5 1991: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY SEPTEMBER 4 1991: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1991 High	1991 Low	Year ago (approx)
Australia (69)	149.82	+0.4	131.20	128.66	135.54	126.75	+0.2	4.84	149.29	130.66	127.82	134.78	126.50	151.58	112.74	143.58
Austria (20)	181.99	+1.1	159.37	156.28	164.63	164.41	+1.1	1.72	180.01	157.54	154.13	162.51	162.56	222.37	154.82	221.73
Belgium (47)	129.88	−0.4	113.72	111.51	117.47	114.65	−0.3	5.17	130.43	114.15	111.67	117.75	114.99	151.20	118.04	140.86
Canada (114)	138.78	+0.0	121.53	119.17	125.53	114.68	+0.0	3.31	138.75	121.44	118.80	125.26	114.69	142.27	126.49	132.19
Denmark (37)	251.45	−0.3	220.20	215.93	227.47	229.74	−0.2	1.54	252.30	220.82	216.03	227.78	230.26	270.56	217.74	257.58
Finland (15)	95.04	+0.4	83.23	81.62	85.98	84.39	+0.5	2.86	94.62	82.82	81.02	85.43	83.93	125.15	89.53	120.92
France (108)	137.92	+0.4	120.78	118.43	124.76	127.81	+0.5	3.47	137.42	120.27	117.65	124.05	127.18	152.26	119.11	136.88
Germany (66)	108.56	−0.2	95.07	93.24	98.20	98.20	+0.0	2.29	108.74	95.17	93.12	98.17	98.17	125.35	94.15	119.50
Hong Kong (55)	166.34	−0.2	145.67	142.84	150.48	165.59	−0.3	4.26	166.64	145.84	142.67	150.45	166.02	169.98	119.62	123.83
Ireland (16)	155.94	−0.7	136.56	133.91	141.06	142.91	−0.5	3.50	157.00	137.41	134.43	141.74	143.61	182.46	132.88	146.81
Italy (77)	72.24	−0.5	63.26	62.03	65.35	69.97	−0.3	3.34	72.57	63.51	62.13	65.51	70.20	88.23	64.76	89.32
Japan (474)	127.08	+0.3	111.29	109.13	114.98	109.13	+0.6	0.77	126.73	110.91	108.50	114.42	108.50	146.97	118.23	124.77
Malaysia (68)	209.40	+0.0	183.37	179.81	189.42	224.12	−0.1	2.71	209.37	183.24	179.26	189.02	224.33	247.78	189.18	220.86
Mexico (16)	1215.69	−0.9	1064.60	1043.95	1099.74	4051.96	−0.9	1.34	1226.13	1073.11	1049.81	1106.95	4086.77	1226.13	534.45	505.41
Netherland (31)	139.50	+0.2	122.16	119.79	126.19	124.79	+0.4	4.30	139.27	121.89	119.24	125.73	124.33	145.73	125.70	139.23
New Zealand (14)	47.40	+1.0	41.51	40.71	42.88	43.42	+0.2	7.01	46.94	41.08	40.19	42.38	43.33	54.64	41.18	61.72
Norway (31)	199.60	+0.2	174.80	171.41	180.57	184.09	+0.2	1.53	199.26	174.39	170.61	179.90	183.64	223.24	178.58	271.44
Singapore (38)	197.61	−0.3	173.05	169.69	178.76	156.45	−0.3	2.28	198.20	173.47	169.70	178.94	156.87	208.25	151.63	171.01
South Africa (61)	241.45	+0.6	211.44	207.34	218.42	169.99	−0.4	3.21	240.05	210.09	205.53	216.71	170.64	258.85	173.00	176.71
Spain (33)	151.69	−0.1	132.83	130.26	137.22	124.62	+0.0	4.31	151.88	132.92	130.04	137.11	124.67	171.12	131.51	148.78
Sweden (25)	188.23	+0.2	164.84	161.64	170.28	175.90	+0.2	2.52	187.93	164.47	160.91	169.67	175.48	204.12	146.60	196.94
Switzerland (58)	92.44	−0.1	80.95	79.39	83.63	87.54	+0.1	2.20	92.57	81.02	79.27	83.59	87.46	100.67	82.17	95.30
United Kingdom (246)	180.78	−0.1	158.31	155.23	163.52	158.31	+0.0	4.64	180.92	158.34	154.89	163.32	158.34	187.44	156.27	162.06
USA (527)	157.94	−0.3	138.31	135.63	142.88	157.94	−0.3	3.07	158.33	138.57	135.57	142.95	158.33	161.02	125.95	129.20
Europe (827)	140.57	−0.1	123.10	120.71	127.17	125.68	+0.1	3.80	140.64	123.09	120.42	126.98	125.58	151.52	125.50	138.86
Nordic (109)	184.93	+0.0	161.95	158.81	167.29	164.31	+0.0	1.97	185.02	161.93	158.42	167.04	164.24	200.81	155.55	200.21
Pacific Basin (718)	128.73	+0.3	112.73	110.55	116.45	111.08	+0.5	1.13	128.39	112.37	109.93	115.91	110.51	145.92	117.86	125.37
Euro-Pacific (1545)	133.75	+0.1	117.13	114.85	120.99	117.61	+0.3	2.24	133.57	116.90	114.36	120.58	117.23	147.66	121.29	131.20
North America (641)	156.68	−0.2	137.20	134.56	141.76	155.01	−0.2	3.08	157.05	137.45	134.48	141.81	155.38	159.66	125.91	129.29
Europe Ex. UK (587)	116.90	+0.0	102.37	100.40	105.77	106.98	+0.1	3.14	116.93	102.34	100.14	105.59	106.84	129.80	103.58	123.99
Pacific Ex. Japan (244)	145.08	+0.1	127.05	124.60	131.25	128.72	+0.0	4.27	144.92	126.83	124.10	130.84	128.76	147.50	111.40	131.68
World Ex. US (1736)	135.71	+0.1	118.84	116.54	122.77	119.01	+0.3	2.29	135.53	118.62	116.05	122.36	118.67	148.16	122.32	131.90
World Ex. UK (2023)	138.52	+0.0	121.31	118.96	125.32	128.48	+0.1	2.33	138.53	121.24	118.62	125.08	128.35	145.77	120.06	126.79
World Ex. So. Af. (2202)	141.54	+0.0	123.95	121.55	128.05	130.94	+0.1	2.57	141.57	123.90	121.22	127.82	130.81	148.66	122.92	129.64
World Ex. Japan (1768)	151.56	−0.1	132.71	130.15	137.11	134.51	−0.1	3.39	151.76	132.82	129.95	137.03	134.59	152.83	126.69	133.89
The World Index (2263)	142.19	+0.0	124.52	122.11	128.64	131.27	+0.1	2.58	142.21	124.46	121.76	128.39	131.16	149.01	123.28	129.92

Latest prices were unavailable for this edition.

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BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

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Public Board and Ind.

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FOREIGN BONDS & RAILS

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BUILDING, TIMBER, ROADS – Contd

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CHEMICALS, PLASTICS

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DRAPERY AND STORES

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DRAPERY AND STORES – Contd

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ELECTRICALS

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ELECTRICITY

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ENGINEERING

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FOOD, GROCERIES, ETC

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HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

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LEISURE

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
708	155	Airtours 10p	637	+3	18.25	2.9	1.7	20.0
*109	71½	Allied Leis. 5p	106	–1	F4.75	3.5	6.0	7.4
246	140	Anglia TV	163	.....	9.25	2.4	7.6	7.5
31	14	Aveco 1p	27	.....	1.5	1.1	7.4	(16.7)
9	4½	BCE Hldgs 5p	4½	.....	–	–	–	–
178	123	Barr & W.A.T. 'A'	172	.....	9.75	1.7	7.6	10.6
745	425	Boosey & Hawkes	745	.....	16.4	2.7	2.9	14.9
58	24	Border T.V.	58	+2	2.1	♦	4.8	♦
88	13½	Brent Walker 10p	16½	+1	5.0	–	–	–
28	4	Do 6pc Cr Cn Rd Pf £1	5	–½	–	–	–	–
59	13	Buckingham Int'l 10p	23	.....	‡2.1	1.8	‡	5.4
350	183	Campari Int. 20p	346	.....	†11.0	2.9	4.2	9.5
214	134	Capital Radio 2½p	214	+2	5.25	2.9	3.3	14.1
518	350	Carlton Comms 5p	511	+7	†14.1	2.4	3.7	14.3
82	61	Do. 6.5p Prf 5p	79	.....	6.5	–	11.0	–
253	168	Castle Comms. 5p	219	.....	8.5	1.7	5.2	14.7
918	480	Central ITV	918	+5	28.5	1.4	4.1	22.5
164	120	Chiltern Radio 10p	163	.....	14.8	2.6	3.9	12.5
89	39	Chrysalis	76	.....	‡2.0	–	‡	–
69	27	Cityvision 5p	41½	+2½	1.0	7.0	3.3	5.4
6	3	Classic Tr'ands £0.20	4	.....	–	–	–	–
248	225	Eurocamp 5p	241	+3	R8.5	2.5	4.7	11.6
1405	908	Euro Disney Fr10	1360	+3	–	–	–	–
30	5	European Leis. ‡25p	13	.....	1.7	2.2	17.4	2.2
*44	21½	Ex Lands 10p	33	.....	–	–	–	–
47	13	Expedier 20p	15	+1½	1.0	2.7	8.9	4.1
563	405	Fairline Boats 10p	525	.....	21.0	4.1	5.3	6.1
276	188	First Leisure	271	+1	†5.05	2.6	2.5	18.6
253	195	GWR Group 20p	247	.....	16.0	3.2	‡	12.9
73	59	Grampian TVA 10p	68	.....	4.1	3.1	8.0	5.3
8	4	Greenwich Comm. 1p	4	.....	–	–	–	–
63	33	HTV Ord.	43	.....	3.75	1.2	11.6	9.9
164	55	Hi-Tec Sports	162	.....	5.0	2.9	4.1	11.0
4½	1½	Int'l Media Comm. 1p	2	+¼	–	–	–	–
64	30	Intl. Resort Hldgs.	39	.....	‡a3.2	2.5	‡	3.3
92	49	Marica Sound 10p	91	.....	1.0	4.2	1.5	28.6
*47	27½	Kadeck 10p	32½	+½	2.0	2.2	8.2	7.8

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRANSPORT—Contd

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC—Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

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IRISH

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FINANCIAL TIMES
Weekend September 7/September 8 1991

Negotiations to begin with centre defining trade and legal links

Soviet Union recognises the Baltics

By John Lloyd and Mark Nicholson in Moscow, Gillian Tett in Vilnius and David Buchan in Brussels

MR BORIS PANKIN, the Soviet foreign minister, yesterday ended more than half a century of annexation for Latvia, Lithuania and Estonia with the announcement: "We have recognised their independence. The Baltic republics are now separate from the Soviet Union."

He was speaking after the first meeting of the newly-formed State Council, the supreme body of union power. Mr Pankin stressed that a prolonged period of negotiations would ensue between the Baltic states and the Soviet Union – covering citizenship, social and legal rights, economic ties and the future of the estimated 400,000 Soviet military personnel stationed there.

Delegations, including on the Soviet side representatives from the contiguous Russian and Belorussian republics, would begin work immediately, he said.

None the less, the Baltics, last to join the Soviet "family" under the coercive terms of the secret protocols of the Molotov-Ribbentrop pact in 1940, and the republics with the longest experience of independent statehood between the wars, now begin their second period as sovereign states.

Moscow's long-awaited recognition was welcomed in Vilnius by Mr Vytautas Lansbergis, Lithuania's president, as "a positive and joyful action" not just for the Baltics but also for the Soviet Union and entire world community. He hoped diplomatic links would be established soon "once it was clear what the Soviet Union actually wants."

According to Mr Pankin, Mr Edgar Savisaar, the Estonian prime minister who represented all three states at the State Council, had said they were now considering whether to join the proposed economic union of former Soviet republics.

Baltic leaders, however, have said that they will not join the union, but will seek bilateral economic treaties between themselves and the remaining Soviet states.

Mr Arnold Ruutel, Estonia's president, said at a session of the World Economic Forum (an independent Swiss-based political and business grouping) in Moscow that an independent currency would not be introduced until Estonia had complete control of its territory – largely through the establishment of border and customs posts.

The State Council, voted into existence by the extraordinary session of the Congress of Peoples Deputies on Thursday and composed of Mr Gorbachev and 10 republican presidents, discussed the outlook for economic union.

Mr Grigory Yavlinsky, a member of the four-man Committee for the Management of the Economy, told the Council that it would be concluded on the basis of full recognition of the independence of member states. Special envoys will be appointed to finalise the treaty of economic union.

Mr Pankin acknowledged that the issue of recompense for Soviet-owned enterprises on Baltic territories would be high on the agenda of negotiations. At the same time, the Baltic states are sure to lodge counter claims for environmental and other damage which they claim has been inflicted on them, as well as reparations for the mass repressions following the war.

In Brussels yesterday, Baltic foreign ministers were warmly welcomed by European Community foreign ministers and the European Commission who promised them aid and a start to trade talks, but shied away from any commitment to eventual full EC membership.

Mr Lennart Meri, Estonia's foreign minister, said "the Second World war is over from this morning".

Hard work starts for Lithuania
Other Soviet news, Page 2

Gorby and Boris TV show charms its US audience

By Lionel Barber in Washington

Live wires: Mikhail Gorbachev and Boris Yeltsin taking US viewers' questions yesterday

IT WAS a surreal experience. In the early hours of yesterday morning, barely a fortnight after the collapse of the coup in Moscow, President Mikhail Gorbachev and President Boris Yelstin sat side by side in the Kremlin fielding questions from American television viewers several thousand miles away.

"Do you believe in God?," asked a priest from the Ukrainian Church in Philadelphia. Mr Gorbachev, once rumoured by former President Ronald Reagan to be a secret believer, replied: "I am an atheist" – but quickly added how he believed, sincerely, in freedom of conscience.

It was a virtuoso performance by Mr Gorbachev, who showed why he remains so popular in the US – and why he agreed to take part in ABC News's post-midnight "telethon". This feat of modern technology featured select audiences in 10 US cities, including San Francisco, Houston, Atlanta and New York, throwing questions at the two Soviet leaders for more than an hour and was also shown on Soviet television.

Not so long ago, Soviet leaders used to communicate to American people through "peacenik" letters to schoolchildren in the Mid West; television has brought everyone closer. In the past two weeks, Americans have seen Soviet reformers, reactionaries, religious leaders and all sorts on their screens. The televised news conference with Mr Gorbachev and Mr Yeltsin was a fitting climax.

Mr Gorbachev played to the women's movement, acknowledging deep discrimination in the Soviet Union; he admitted unequivocally that the communist model had failed in the Soviet Union – though he still talked wistfully about successful social democratic movements in Europe; he reassured one young lady's concerns about Raisa; and, in a direct message to President Bush, he pledged to co-operate with Mr Yeltsin to ensure stability in the Soviet Union.

If Mr Gorbachev went down as smoothly as caviar, Mr Yeltsin was more like borsch. OK, he said, women had a hard time in the Soviet Union – but on average they lived five years longer. Mr Yeltsin also told a grain trader in Chicago that if there were food shortages, Russia would come first: "You will deal with us."

Yes, he liked the ritual aspects of church services, but was more "superstitious" than religious. The Russian president only came to life when he denounced communism.

Substantively, the two leaders skated over most of their differences. Mr Gorbachev seemed less keen to break ties with Cuba, appearing eager to expand trade with the Castro regime. Mr Yeltsin appeared a little more interested in opening up KGB files.

Mr Gorbachev showed that he can handle an American political format, where show business counts for a lot. It may not help him if he decides to run for president in elections in the Soviet Union next year; but if the Democratic party were looking for a candidate with a deep knowledge of foreign affairs, a statesman to match Mr Bush, then Mr Gorbachev may well be their man.

UniChem £75m bid for Macarthy referred to monopolies commission

By Jane Fuller

UNICHEM'S £75m takeover bid for Macarthy, which owns 175 UK chemists' shops, was referred to the Monopolies and Mergers Commission yesterday because of concerns about competition in the wholesaling of prescription drugs.

UniChem, a UK pharmaceuticals wholesaler, has nearly 28 per cent of the market in supplying Britain's 11,800 chemists' shops. A similar chunk is served by Vestric, part of the healthcare group AAH. Boots, Britain's largest retail chemist, has its own distribution system for its 1,070 shops.

The referral by the Office of Fair Trading is a blow for UniChem, which was fighting for Macarthy against two rivals. Lloyds Chemists is the highest bidder at £83m, while Grampian Holdings is the suitor least favoured by Macarthy but the only one which has been cleared so far by the OFT.

Macarthy was not pleased by the referral. Just before the OFT announcement, it had said it was continuing to talk to UniChem and Lloyds to see if either would offer terms it could recommend. With UniChem's offer lapsed until after the MMC decision in December, the scope for playing one off against the other is greatly reduced.

Yesterday's referral was UniChem's second brush with UK competition regulators. In 1989, when UniChem was still a co-operative, the MMC ruled that a share incentive scheme it was offering to its pharmacist customers was anti-competitive. UniChem floated on the stock market last year and is about 70 per cent owned by more than 4,000 pharmacists.

One of the loudest protesters against UniChem's share scheme was Macarthy, which had previously tried unsuccessfully to take it over.

But now Macarthy is lamenting the referral, albeit under a different senior management – which has been offered jobs by UniChem but not by Lloyds.

Mr Ian Parsons, Macarthy's chief executive, said: "We fought for an even playing field for our shareholders. We did not want impediments in the way of the best possible offer being put on the table."

Mr Jeff Harris, UniChem's finance director, echoed the disappointment. "We are talking about a tiny switch of market share, little more than 1 percentage point," assuming that UniChem replaced Medicopharma, a Dutch company, as wholesaler to Savory & Moore.

The OFT seemed uneasy about the development of a duopoly if there were a setback to Medicopharma, which has been number three in the market since buying Macarthy's wholesaling business. A related concern is that heavy regulation of prescription drug supply may have unwittingly fostered conditions for reduced competition.

British Aerospace set for £500m rights issue

By Robert Peston

BRITISH AEROSPACE, the UK aerospace and car manufacturer, is planning to raise up to £500m by selling new shares in a rights issue.

The share sale is planned for next Wednesday, when BAe announces its first-half results, unless there is a dramatic change in stock market conditions. The amount likely to be raised is substantial compared with its market capitalisation of £1.47bn.

BAe's need for a rights issue is not immediately apparent from its balance sheet at the end of 1990, which showed that it had net cash of £700m. However, all this cash was advance payments from Saudi Arabia on defence orders, according to Mr Chris Avery, an analyst at brokers Smith New Court.

He estimates that the company's underlying debt was around £800m, excluding these advance payments, and that borrowings have increased sharply this year.

But the main reason for the issue is not to reduce the burden of interest payments but to increase the company's equity base, which will give it greater security for carrying out hedging transactions in the foreign exchange market.

Analysts estimate BAe has forward orders totalling £15bn. It will receive payments on most of these in dollars, but as a UK manufacturer its overheads are denominated in sterling. BAe therefore needs to carry out big hedging deals in order to reduce its vulnerability to currency movements.

BAe's interim results will show that it has been badly hit by the recession. The Rover motor vehicle subsidiary has fallen into losses and defence profits are down.

The group's interim pre-tax profits are expected to emerge at about £85m, at the bottom end of analysts' expectations, compared with £146m in the same period last year.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Degussa	339.5	+	8.1
Kaufhof	498.5	+	8.7
Verein-West	351	+	9
Falls			
Colonia Konz	910	–	30
Rheinmetall	308	–	7
Zanders Fein	285	–	9
New York ($)			
Rises			
Foothill	5⅛	+	⅝
Pfizer	67¼	+	2
Falls			
AMR	56⅝	–	¼
Amer Express	26	–	½
Delta	64⅛	–	¾
UAL	127⅝	–	3¾
New York prices at 12.30pm			
Paris (FFrs)			
Rises			
Eurocom	845	+	18
Geophysique	767	+	17
Printemps	870	+	16
Falls			
BIC	755	–	11
CGIP	1106	–	19
Peugeot	602	–	12
Tokyo (Yen)			
Rises			
Carolina	685	+	65
Dai Nippon Con	1630	+	120
Harima Chem	1350	+	100
Ikegai	516	+	80
JDC	815	+	60
Nitto Chemical	710	+	60
London (Pence)			
Rises			
Appleyard	115	+	10
Aspen Comms	145	+	9
Assoc Br Cons	95	+	15
Astec (BSR)	22	+	5
Beazer	98½	+	4½
Caffyns	353	+	18
Church	350	+	70
Cropper (J)	180	+	12
Dawson Intl	186	+	9
Erskine Hse	76	+	8
Glaxo	1381	+	16
Manvier Swain	298	+	13
Pacific Prop	45	+	6
Ransomes	54	+	9
Rolls-Royce	143	+	5
Sanderson Mrry	510	+	27
UniChem	179	+	8
Vardy (Reg)	125	+	7
Wardell Strys	323	+	16
Falls			
Alex Workwear	137	–	16
Allied-Lyons	612	–	7

Salomon admits losing up to £5m on MGN flotation

By Bronwen Madddox

SALOMON BROTHERS, the US investment bank which was the global co-ordinator for the May flotation of Mirror Group Newspapers, acknowledged yesterday that it lost up to £5m through trading MGN shares.

MGN, Mr Robert Maxwell's UK newspaper group, was floated at 125p a share but the price has slipped steadily to its present 102p.

Salomon, which is reeling from recent disclosures that it rigged US Treasury auctions, said that the firm's market makers had bought shares soon after the float as part of its obligation to provide liquidity in the shares.

The Mirror share price came under heavy selling pressure at the flotation.

Some UK institutions were worried by the warning given a month earlier from Maxwell Communications Corp, another public company in Mr Maxwell's media empire, that its pre-tax profits for the year to March 1991 would be lower than the previous year's £172m.

Salomon officials said, however, that subsequent trading had recouped part of their losses. Salomon's advisory fee for the flotation is also believed to be between £1m and £2m.

Unions

Continued from Page 1

Congress backed the motion overwhelmingly, with only the AEU and GMB unions voting against, after the TUC general council said it supported the motion with reservations. Mr Norman Willis, TUC general secretary, said the criticisms were not restricted to Japanese companies.

Mr Laird said the resolution would have made more sense if it addressed the large number of British and overseas companies which did not recognise unions.

He accused MSF of hypocrisy. It had bid for the Toyota deal and in Japanese language brochures it offered a no-disruption clause stating there would be no industrial action during pay negotiations.

WORLDWIDE WEATHER

Today: London, south-east and south-west England and the Channel Islands will be cloudy at first but will soon turn sunny. Northern Scotland, along with Orkney and Shetland, will be cloudy with drizzle. The rest of the country will be clear, though Northern Ireland and south-west Scotland may turn cloudy.
Outlook: dry and sunny.

		°C	°F
Ajaccio	S	30	87
Algiers	S	30	86
Amsterdam	C	16	61
Athens	S	28	82
Bahrain	S	35	95
Barcelona	F	26	79
Belfast	S	18	64
Belgrade	S	25	77
Berlin	S	18	64
Biarritz	F	24	75
Birmingham	F	18	64
Blackpool	S	19	66
Bombay	F	29	84
Bordeaux	S	29	84
Boulogne	S	20	68
Bristol	F	18	65
Brussels	C	17	63
Buenos Aires		-	-
Budapest	C	19	66
Cairo	F	30	86
Cape Town	S	16	61
Cardiff	C	18	64
Chicago†	S	13	55
Cologne	C	17	63
Copenhagen	S	15	59
Corfu	S	27	81
Dallas†	S	23	73
Dublin	C	18	64
Dubrovnik	S	25	77
Edinburgh	S	14	57
Faro	S	26	79
Florence	S	27	81
Frankfurt	S	20	68
Geneva	S	25	77
Gibraltar	S	28	82
Glasgow	S	17	63
Guernsey	F	18	64
Helsinki	F	9	48
Hong Kong	R	28	82
Innsbruck	S	25	77
Inverness	S	14	57
Isle of Man	S	17	63
Istanbul	S	23	73
Jersey	S	20	68
Johannesburg	S	25	77
Las Palmas	S	25	77
Leeds	S	17	63
Lisbon	S	27	81
Locarno	S	27	81
London	S	19	66
Los Angeles†	C	18	64
Luxembourg	C	17	63
Madeira	S	25	77
Madrid	F	24	75
Majorca	F	32	90
Malaga	F	28	82
Malta	F	27	81
Manchester	S	18	64
Melbourne	C	11	52
Mexico City		-	-
Miami†	S	26	79
Milan	S	27	81
Montreal†	C	14	57
Moscow	C	9	48
Munich	F	21	70
Nairobi	F	28	82
Naples	S	28	82
Nassau		-	-
Newcastle	S	15	59
New Delhi	F	28	82
New York†	S	20	68
Nice	S	26	79
Nicosia	S	27	81
Oporto	F	24	75
Oslo	S	15	59
Paris	C	20	68
Peking	S	29	84
Perth	C	18	64
Prague	F	15	59
Reykjavik	Dr	10	50
Rhodes	S	27	81
Rio de Janeiro		-	-
Rome	S	27	81
Salzburg	F	22	72
S'Francisco†	C	16	61
Santiago		-	-
Seoul	F	24	75
Singapore	F	31	88
Stockholm	F	7	45
Strasbourg	C	23	73
Sydney	S	20	68
Tangier	F	27	81
Tel Aviv	F	28	82
Tenerife	S	25	77
Tokyo	S	30	86
Toronto†	S	15	59
Tunis	F	33	91
Valencia	R	18	64
Venice	S	27	81
Vienna	Dr	15	59
Warsaw	F	15	60
Washington†	C	20	68
Wellington	C	13	55
Zurich	S	23	73

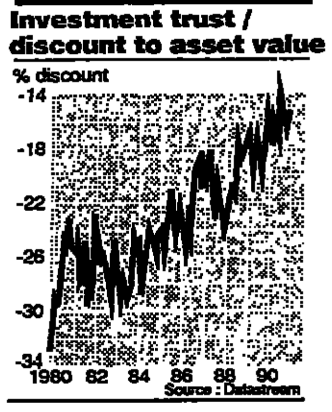
Temperatures at midday yesterday † Noon GMT temperatures C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

THE LEX COLUMN

Politics comes to the fore

FT-SE Index: 2,667.4 (+4.1)

Investment trust / discount to asset value



The market may not have seen the mooted flood of rights issues this week, but it had an interest rate cut to feast on as well as speculation on a November election. It would be tempting to assume that this has created fresh upside potential, even from present rarefied levels. But the rights issue threat has not disappeared, and the new political uncertainty has actually increased the downside risk for shares. Whether an election is in the offing or not, the market is suddenly more vulnerable to swings in opinion polls.

Prices tend to overshoot in response to political impulses, as the Soviet coup showed. A Conservative victory in a November election would not alter the weak recovery prospect which is fully discounted at current prices. Indeed, with inflation set to hit a low in October, a newly-elected government could shrug off pressure to boost the recovery by cutting interest rates further. It might even be forced to raise them if German policy were tightened ahead of the 1992 wage round.

A decision to call a November election would probably force the government to postpone the BT share offer. Assuming a Conservative win, that would provide only temporary relief for institutional liquidity. There would be worries of a different kind if Labour won. Foreign exchange markets would almost certainly insist on quickly testing Mr Kinnock's determination to defend sterling's parity in the exchange rate mechanism.

BT sale

A feature of UK privatisations has been the way the regulatory goalposts have moved, to an extent not even hinted at in the offer prospectuses. Clearly, regulators such as Ofwat take time to find their feet in a new industry framework. By contrast, Oftel has enjoyed a 10 year run up to the forthcoming BT secondary sale. Nevertheless, investors who read the offer document should be aware that the section on regulation is drafted by the parties selling the shares, rather than by the regulator.

Whether Mr Bryan Carsberg will speak clearly about his intentions before the sale gathers further momentum is another matter, but arguably he should. The recent duopoly review notwithstanding, it is hard to see how BT can avoid further regulation at next year's price fixing – its current return on capital of 23 per cent is simply too high. In addition, statements by Ofwat on the cost of capital and diversification have scarcely avoidable implications for telecoms.

BT will generate a huge amount of cash in the next few years, most of the money coming from its domestic customers. Politically, it will be unable to give it to shareholders as higher dividends. Doubtless it intends to invest abroad in related telecoms businesses. If its poor overseas record to date is a guide, domestic customers might find themselves merely subsidising more expensive failures. Oftel will have to examine the possibility of separating the financing of overseas ventures; but that would not solve the problem of surplus cash in the domestic business. It all points to the logic of an eventual break-up. That possibility is unlikely to be mentioned in the offer for sale.

Investment trusts

The news that M & G and Fidelity are poised to launch investment trusts in the next month removes another of life's little certainties. Both fund management groups, after all, are synonymous with the rival unit trust industry: M & G is probably its most consistent long term performer, Fidelity perhaps its brashest and most successful upstart. The US-owned giant's entry into the UK retail investment business in the early 1980s could scarcely have been better timed.

Whereas unit trusts have struggled to recapture their appeal following the 1987 crash, investment trusts have been enjoying something of a long term come-back. Derided as fuddy-duddy and inefficient just a decade ago, the sector's more enterprising promoters have carved out a niche providing specialist funds for the institutions, as well as highlighting fiscal changes which have benefited the private investor. The volume of paper has shrunk thanks to Globe and other big takeovers – boosting performance as the discount narrows – yet it is striking almost 100 new investment trusts have raised £2.5bn of new money since 1985.

M & G insists that it has not suffered a conversion; its forthcoming fund is only structured as an investment trust to take advantage of the UK's restrictive personal equity plan (PEP) rules. Fidelity, though, is threatening to launch a batch of investment trusts in the next three years, using innovative marketing to support demand. Time will tell whether the move is as inspired as the one a decade ago, or whether it is a sign that Fidelity's unit trust side is running out of steam.

Building societies

Never mind the banks, look at building societies. This week's 0.45 and 0.4 percentage point cuts in lending rates at the Halifax and Abbey National – a response to Wednesday's half point cut in UK base rates – is a reminder that mortgage specialists play the margin widening game as well. Interest rate cuts since last October totalling 3.5 percentage points up to this week, for example, have in particular been cleverly exploited by the Abbey (a bank, but only in name). Over the same period the group's mortgage rate for bigger borrowers fell by 3.1 per points, the rates paid on its Instant Saver and Five Star accounts by 3.8 and 4.25 points respectively. With other devices like the timing of the changes worth millions of pounds in profits, shareholders (though not customers) will be hoping for more this time round. To be fair, margins were badly squeezed last year, bad debts are rising and the societies need wider spreads to compensate for lower returns on their free capital.

Macarthy

The Macarthy board's advice to do nothing after the rude unseating of UniChem's bid is doubtless unaffected by the fact that a successful Lloyds Chemists is unlikely to require its services. Shareholders who prefer to avoid Lloyds' paper might justifiably sell in the market.

Bacon and eggs at No 10

***Philip Stephens** assesses the prime minister's inner circle, in which sporting chums, would-be rivals and 'classless' advisers decide government policy over breakfast*

THERE IS no eminence grise in the mould of Charles Powell, no brooding presence like Bernard Ingham. Nor is there a kitchen cabinet of the kind which served Harold Wilson in the days when honours lists could be scrawled on lavender notepaper.

But after nine months in Downing Street John Major, the British prime minister, has assembled the cast of colleagues and confidantes who will help shape his premiership. If he wins the general election they will emerge from the shadows as among the most influential figures in British politics.

It is an odd bunch. Cabinet colleagues mingle with fellow football and cricket fans and with civil servants and advisers befriended in the Treasury, contemporaries from his time in the government Whips' Office; with neighbours in East Anglian politics.

Some share his humble background. Others his unease that the Conservative Party under Margaret Thatcher was too ready to sacrifice the underprivileged on the altar of market economics. Some are erstwhile rivals for the party leadership. Like their boss many are relative innocents at this level of politics. After the slick, unremitting professionalism of the Thatcher entourage, there have been occasions when Major's men and women have looked like well-intentioned amateurs.

They – and the prime minister – learnt the hard way just why Thatcher's speechwriters would spend days, even weeks drafting, redrafting and honing the speeches she delivered to the Tory party faithful. She was never heard in polite silence.

As his advisers have gained experience, early pledges to create a "classless" society and to invent a new creed of "Majorism" are looked back on with more than a hint of embarrassment. Most of those in the new team are 10 or 15 years younger than their predecessors. Some confess that they still shake their heads occasionally to remind themselves it is real.

There is Gus O'Donnell, another south London grammar-school boy turned Treasury economist chosen to fill Ingham's size 10 boots in the Downing Street press office. Sarah Hogg, the erstwhile economics writer who second-guessed (and impressed) Major when he was chancellor, heads the all-important policy unit. Chris Patten, the intellectual beacon of the Tory left, is charged with election strategy as party chairman. Richard Ryder, a slight, boyish figure who entered parliament only in 1983, commands the party at Westminster as chief whip. Then there is David Mellor, a long-time companion of Major on the terraces of Chelsea football ground, now charged with control of public spending.

From the *ancien regime* comes John Wakeham, the supreme political fixer who may yet emerge as the Willie Whitelaw of Major's government. Douglas Hurd, the Old Etonian gentleman of the cabinet, is not counted a close personal friend. But as foreign secretary he has become the wise uncle, trusted by a prime minister whose own three months in that role left him a relative novice in foreign affairs.

There are more than half-a-dozen others, some civil servants, Tory ministers or backbench MPs, some political advisers. All share one thing: influence.

They attend the regular No 10 Downing Street breakfasts at which Major float ideas for a fourth Conservative term over platters of fried eggs, bacon and sausages. They are recipients of the Sunday morning telephone calls which he uses to consult and confide in private. Some are guests at the informal lunches at Chequers which the prime minister builds around his personal heroes from the more innocent world of county cricket.

Major has promised a more consensual style of government to match the caring Conservatism he is offering voters. He has, we are told, no time for the cronyism which tarnished the reputations of so many of his predecessors.

"He is a meritocrat. He does not want sycophants," comments one in the most charmed inner circle. "He wants arguments not compliments". Old hands marvel at the frankness of Cabinet discussions. "We talk about things, argue", a senior minister blurts with the wide-eyed innocence of a schoolboy.

The good intentions are genuine, a coincidence of Major's personality and astute political instincts. He built his political success – from humble backbench MP to prime minister in a dozen years – on an ability to make friends, scores of them. He is as happy serving as eating the fried bread at those No 10 breakfasts.

The breakfasts and the phone calls – informal, chatty friendly – are the tools of a politician who has prospered by drawing the best from his advisers and friends. "He wants to know what you think, really think . . . how you say it when there are no civil servants around", one recipient of an early morning call comments.

He is also a pragmatist, a man who does not believe in Philosopher Kings. So, unlike Thatcher there is no ideological mentor lurking in the shadows. For her the Downing Street policy unit – headed by loyalists such as John Hoskins and Brian Griffiths – was the praetorian guard which battled the forces of conservatism in her own party. Under Major it is concerned with practical policy rather than political ideology.

Friends say he is acutely conscious also of the risks of retreating into the splendid isolation of his predecessor. For all the talk of conspiracies, Thatcher ultimately fell because her courtiers were too obsequious, too blind to her political mortality, to warn her of the gathering storm.

But no prime minister can operate effectively in the British system of government without a group of trusted friends who will to do his or her bidding in the jungles of Whitehall and Westminster.

The occupant of 10 Downing Street has immense powers of patronage in the ministerial and civil service machines. Yet he is the only senior minister without his own department. The two dozen or so senior officials in the cabinet office, his private office and the No 10 policy unit compare with hundreds who work directly for the chancellor, the foreign secretary or the health secretary.

As Major found to his cost in the uncertain early months, the departmental empires are jealous guardians of their territory, powerful forces for inertia. The prime minister needs personal agents to translate his policies into the day-to-day business of government.

Major's men and women sit around the edge of a series of concentric circles drawn during 12 years at Westminster. There is the whips' circle, the Treasury circle, the East Anglian circle, the sports fanatics circle. The most influential claim membership of more than one. Most, though not all, are in the 40s, children of post rather *than pre-war Tory politics.*

Ryder is the best example. Like Major he served a junior government whip. He worked for him in the Treasury and his constituency, like the prime minister's, is in East Anglia. The 42-year-old son of a Suffolk farmer, Ryder's career in politics began when he became Thatcher's political secretary in 1975. By last November he was a middle-ranking Treasury minister but it was his role in running the press side of the prime minister's leadership campaign that catapulted him into a job he had always coveted.

A quiet, outwardly diffident man, Ryder's job is to keep the Tory party at Westminster – still fragile and fractured after the civil war last autumn – solidly behind Major. He meets the prime minister daily, sits in on the important cabinet committees, acts as referee in disputes between senior colleagues, and, crucially, advises on what is politically possible: on the poll tax, Europe, the economy.

He made little public impression when he worked for Major in the Treasury but now a colleague describes him as the "vital pivot between Westminster and Whitehall". Another wonders how so apparently gentle a man can be so "utterly ruthless in managing colleagues". Major trusts him completely.

Patten is from a different mould. The anti-Thatcherite who finally made it to her Cabinet, he was once regarded as Major's closest rival for the party leadership. Last autumn he backed Hurd. But in a shrewd move which rewarded his talents and tied Patten's fortunes to his own, Major made him party chairman.

In other circumstances they might not be close friends. Their political instincts are similar but forged from different backgrounds. At 47 Patten is a year younger than his boss but he is consciously educated, a philosopher politician who draws *his metaphors from the classics.* Major prefers to describe his Conservatism as simply a "common sense view of life from a tolerant perspective".

In the approach to a general election, however, party chairman and prime minister can never be far from each other. And those who watch them working together believe that both have convinced themselves that the political alliance has developed into personal friendship.

The relative youth of Ryder and Patten is supplemented by the battle-hardened guile of Wakeham on the team set up in May to map out the government's communications strategy. At 59 he is stepping down from the Commons at the general election, but his colleagues expect a re-elected Major to give him a prominent role in the House of Lords.

John MacGregor, leader of the commons, whose fortunes and reputation have revived since Thatcher's departure, is the fourth of these musketeers. Another ex-Treasury minister, MacGregor has played an important role in refereeing disputes about public spending and is tipped as the most likely chairman if the Star Chamber is convened to break any deadlock at the end of the current round of spending negotiations.

They meet most mornings at 8.30 (three sip orange juice and coffee, Wakeham chain-smokes the cigars so apposite to his image) to ensure that while running the government ministers do not forget about winning the election.

Inside Downing Street, Hogg has emerged as the most influential adviser. Early on she cut through the mutual suspicions which clouded the prime minister's relationship with Michael Heseltine as they mapped out the replacement for the poll tax. More recently she was *charged with knocking ministerial heads* together to add substance to the promise of the Citizen's Charter. As one cabinet minister puts it: "She is a superb operator. Three weeks before it was published there was nothing in it. She made it work".

The 45-year-old Hogg, married to Douglas Hogg, the foreign office minister, heads a team of seven in the policy unit. A brisk no-nonsense figure, she is dry on economics but is a liberal on social policy. Like the prime minister she prefers pragmatism to philosophy.

Major is comfortable working with

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The lion sleeps tonight – in the camp where Patti Waldmeir is supposed to be on watch page XIV

The Long View/**Barry Riley**

Every cloud has a lead lining

WE MAY soon see the end of double-digit sterling interest rates. Indeed, the net return to the standard rate taxpayer on modestly-sized building society accounts is already dipping towards 6 per cent.

It is doubtful whether the deposit-taking institutions – the retail banks as well as the building societies – understand the scale of the implied threat to them. The influence of high German interest rates may hold sterling rates up for a while, but a fundamental shift in the savings market is under way.

There has been a very long period of high nominal interest rates in Britain, going back to the late 1970s. Low rate interludes have been brief: bank base rates subsided into single figures for a year up to mid-1984, and then for another twelve months or so during the notoriously lax monetary regime of late 1987 and early 1988.

Generally, though, gross rates have been typically 12 or 13 per cent – well above inflation – and savers have naturally been attracted to high interest deposit accounts, so that personal sector short-term savings have ballooned from £95bn to more than £300bn during the past ten years.

Over this sort of time-scale savers can come to believe that holding such large sums on short-term deposit is natural, but on the contrary, it is rather strange to rely on fluctuating money market returns. Many retired people need investment income to live on, and are now suffering a serious nominal income squeeze (although they have often been worse off overall in the past, if they only realised it, because of inflationary erosion of their capital). The process has now gone a stage further in the US, where gross interest rates on savings deposits are down to 6 per cent or less and according to *Business Week* investors are suffering a "sticker shock" from the miserable rates advertised in bank and savings and loan windows.

The search is therefore on for higher income alternatives, but this means accepting bigger risks: there can be capital fluctuations on bonds or equities, currency losses on foreign investments, and default problems on deposits with fringe institutions. Nevertheless there has been something of a minor stampede into mutual funds. While the American banks have been shrinking in size, the mutual funds have been enjoying their best period since the pre-crash months of 1987.

The response of savers to lower interest rates is crucial to the counter-cyclical behaviour of the stock market. It is conventional to argue that the UK equity market, like Wall Street, is discounting an economic recovery. Well, that is one way of looking at it, but more precisely it is reflecting the changing ambitions investors.

As interest rates fall, investors are forced to reduce their expectations of investment returns generally. Perversely, when long-term returns go into decline, a by-product is a boost to short-term returns from capital appreciation.

It works like this: if the implied long-run annual return required by investors on equities (dividends plus capital growth) falls from, say, 15 to 12 per cent, then other things being equal (such as dividend levels)there will be a capital gain of 25 per cent.

This arithmetical adjustment is the process described by the market strategists as "multiple expansion" which is not Marks & Spencer building more branches but shares moving on to a higher average price-earnings ratio.

This is essentially why most of the capital gains achieved during a cyclical bull market come before the upturn in the underlying economy has even properly begun, and long before profits have started to recover.

For instance, the FT-Actuaries All-Share Index has now climbed by 33 per cent since its low point just under 12 months ago. Corporate news remains dismal, but the important point is that short-term interest rates have crumpled from 15 to 10.5 per cent over the same period, and long-term gilt yields have also declined quite sharply, from 11.2 to some 9.6 per cent.

Once the economy starts to recover with any vigour the interest rate trend is liable to go into reverse, encouraging stock market investors to hope for higher returns (which can only be reliably achieved, however, if share prices fall first). So far so perverse. The response of companies, however, is rational enough. Once they perceive that investors have moderated their ambitions the finance directors see the opportunity to come out with a wave of new issues (which dilute the recovery prospects for earnings per share).

From the companies' point of view the cost of capital has fallen. So far this year equity rights issues in the UK have totalled some £7.7bn and are on course for the full year to rival the record £10.5bn of 1987.

This is also bad news for the banks, of course, in that much of this cash is being used to pay down debt. Moreover it is the sound companies that are paying off the banks, while the dodgy loans remain stuck on the banks' books. There is no rights issue option for Brent Walker.

Perhaps, as industrial confidence recovers, those sound companies will once again become customers for bank loans at the much lower rates which are becoming established. But there will be no repetition of the the private sector borrowing binge of the late 1980s.

In 1989 the personal sector and the corporate sector ran a combined financial deficit of £27bn, while the public sector registered a surplus of £6.5bn. But already the public sector is back in the red and, over the next year or two, its deficit is likely to soar to something of the order of £20bn while the private sector goes into surplus.

This shift has a number of consequences, one of which is that it spells lean times ahead for the banks. While private individuals and companies borrow through the banks the government finances itself primarily by selling bonds (and occasionally BT shares) to investors. At the margin, the public sector will be outbidding the banks and building societies for savings. Give it a year or so and lower interest rates could produce more than just sticker shock down *your* High Street.

London Markets

Born-again bear comes out to play

SINCE THE beginning of 1991 – a period that coincides roughly with the stock market rally – UK short-term interest rates have dropped by 27 per cent and the FT-SE index has risen by 24 per cent. The close correlation between the downward shift in interest rates and the upward move in equities is clear from the chart: the two lines are mirror images.

Over short periods, the two lines sometimes move differently: in the late spring, for example, interest rates continued to fall, but the equity market moved sideways. None the less, the divergence over the last week or so has been particularly noticeable.

Market interest rates have dropped significantly – a decline reflected in this week's half percentage point base rate cut – but the equity market has made little progress. The mood has been cautious about how far share prices can be expected to advance.

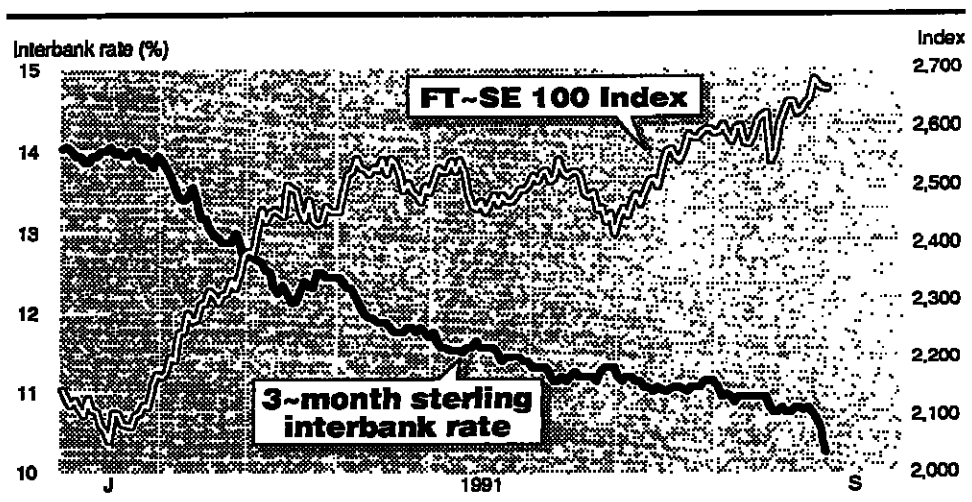
The stockbroker's comment that pushed these concerns to their limit this week came from Nicholas Knight, of Nomura Research Institute, who was among the earliest and most enthusiastic proponents of a bull market late last year.

He announced a melodramatic reversal of view: Nomura's year-end target for the FT-SE was reduced from 2,600 to 2,400 – implying a 10 per cent decline from current levels. For 1992 the reduction was, if anything, more drastic still: to 2,700 from a previous forecast of 3,200.

FT-SE closed on Friday at 2,667.4, a rise of 21.7 on the week. So Knight is expecting a 1.2 per cent rise in the FT-SE over the next 16 months, a drop of over 2 per cent in real terms. If your first aim is preservation of capital, as the sage of stock market analysis Benjamin Graham urges, the meaning of such a forecast is clear: stay out of UK equities. Or, as Knight puts it: "At best cash looks competitive; at worst it looks a godsend".

His argument is simple: that just as the market forgot last year that equities typically start to recover well before the bottom of a recessionary trough, it is in danger of forgetting this year that the arrival of already-discounted good news is typically marked by sharp sell-offs. Price/earnings ratios start shrinking at an early stage of the economic recovery, partly or wholly offsetting the rising earnings that recovery brings.

This year, because the market has risen so rapidly, that process may take effect much earlier in the economic cycle, before the recovery is fully under way. In short, "it will not be very long before the story switches from stock prices rising on bad news to falling on good."



Source: Datastream

Thus, says Knight, even if all goes well and there are no nasty surprises in the year ahead, you should expect p/e ratios to drop from their current 14.5 average to around 10. If things go wrong, the surprises could be very nasty indeed – perhaps a 1987-style crash.

Most other commentators disagree, with varying degrees of vehemence (one called Knight "a perfect contra-cyclical indicator"). Roger Palmer at Kleinwort Benson this week set a target of 3,000 on the FT-SE within six months; Andrew Semple at County NatWest called for 2,700 by the end of the year and 3,100 by the end of 1992, arguing that the shift to sustained lower inflation fully justified p/e ratios in the mid-teens. Bill Smith at BZW, expecting 2,950 by the end of next year, also emphasised his team's expectation of 3 per cent economic growth next year, nearly twice as strong as the consensus.

In the short term, though, there seems to be a general expectation that the market is likely to pause, held back by rights issues – a wave of which is still confidently expected despite this week's drought – and by the need to await confirmation of economic recovery before any further upwards move.

This week at least, that confirmation was hard to glean in the welter of interim results. Only Cookson's chairman, Robert Malpas, said unambiguously that there were "tentative signs of recovery". Other chairmen confined themselves to the thought that the economy was now bouncing along the bottom, and was unlikely to fall further.

There was little to remark in the results themselves – one analyst, rising to the occasion, said there were "fewer surprises than expected", a perfect example of stock market jargon. The lack of surprises probably contributed to the unfavourable attention given to BTR's results, in which a change of accounting policy turned what would have been an 11 per cent decline in profits into a 1 per cent increase. BTR's share price, which had initially risen 9p on the results, dropped back as the impact of the accounting change sank in. They ended the day of the announcement, Thursday, down 5p on the day at 424p, which turned out to be Friday's closing price as well.

Though Wednesday's base-rate cut had little direct impact on the financial markets, it caused a great leap in the market for political excitement. The belief that the Conservative government might be preparing the way for an election, and that it would only do so if it was sure of winning, led to a strong performance by water and regional electricity stocks, which stand to gain from any removal of political uncertainty.

For the market as a whole, the political impact was less easy to judge. Clear signs that the government is really planning a November poll might well – after a brief burst of enthusiasm – leave equities vulnerable to upsets, as foreign investors in particular reacted jumpily to every piece of opinion polling. On balance, however, the City probably expects an election in early 1992, rather than in late 1991. For the moment, therefore, the market remains in limbo, waiting for the confirmation of economic recovery that most people expect would lead to a further advance – or for bearish reverses.

Peter Martin

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1991 High	1991 Low	
FT-SE 100 Index	2667.4	+21.7	2679.6	2054.8	November election hints
AMEC	217	+14	260	178	Increased int dividend
Barratt Dev	57	+13½	126	29	Int rate cut boosts builders
Beazer	98½	+14½	195	59	Rate cut boosts CHB flotation
British Airways	194	+15½	195½	122	Analysts positive
Burton	48½	+8	94⅜	30	Broker's note
Courtaulds Textiles	435	+46	437	235	Good interim results
Electricity Package	£2208	+181	£2260	£1425	Kleinwort "buy" recommendation
Elam	210	+27	213	87	Bid speculation
Hickson Intl	206xd	+18	208	102	Disposal
Hillsdown	250	+16	269	154	Positive interim results
Lloyds Bank	404	+19	404	268	Hoare Govett presentations
Severn Trent	363	+32	370	300	Govt poll ratings improve
Ultramar	266xd	-14½	358	251	May lose 'Footsie' status
Wilson Bowden	437	+23	437	335½	Int profits increase

Serious Money

Give the small saver a break

By Scheherazade Daneshkhu

TAX BREAKS. Who needs them? The government seems to have forgotten the answer to this question. During the past 10 years, a series of schemes have been introduced by the government aimed at broadening the base of public participation into savings and investment.

These included, in descending order of ideological populism, Tax Exempt Special Savings Accounts (Tessas), Personal Equity Plans (Peps) and the Business Expansion Scheme (BES).

The first two were for small savers while the last was intended to entice shareholders into riskier investments to prop up manufacturing. All made use of generous tax breaks as the lure.

But the aim of each has been skewered along the way. The original idea of encouraging broader participation and attracting new money has been diverted along a path sign-posted increasingly by financial institutions rather than government.

John Major's 1990 Budget for Savers took its name principally from the introduction of Tessas which were aimed at the "mass of ordinary taxpaying savers" in the then Chancellor's words. Under the scheme individuals may save a total of £9,000 over five years earning tax-free interest if the capital is not withdrawn.

The concept was easy to understand and the product could be taken out at any building society or bank.

The government wanted to improve the savings ratio – personal savings divided by disposable income – which was down at 6.6 per cent in 1989 from 11.4 per cent in 1984. It hoped to do so by encouraging the man and woman on the street to put aside a regular amount of savings every month which would encourage a savings mentality leading to riskier investments, in the form of equities later.

The new scheme was compared favourably to existing Save As You Earn (SAYE) National Savings schemes administered by building societies. SAYE schemes were introduced in 1969, originally allowing savers to put away £10 a month.

However, Tessas have attracted surprisingly little "new" money. In the first six months, 80 per cent of the 370,000 Tessas sold by Halifax Building Society were opened with money which came straight out of other Halifax accounts. At Skipton Building Society, 88 per cent of Tessa money was transferred from other accounts.

Moreover, the accounts did not seem to be used for regular saving. Six months after Tessas were launched, the average balance in a Halifax Tessa stood at £2,700, almost up to the maximum of £3,000 for the first year.

Clearly, those who already had savings quickly took out a Tessa to obtain the tax concession. Regular savers were all but ignored by the societies who packaged their Tessas so that the best returns and bonuses would be had by those investing the maximum amounts for each year.

The few fixed-rate schemes tended to need large lump sums for those wanting to start. For example, Bristol and West offered a "guaranteed" Tessa paying 11.25 per cent over five years but you needed to deposit the maximum £3,000 to start and put in money into an annuity to fund further payments into the Tessa.

It is a similar story with Peps. These were a Nigel Lawson inspiration and their exemption from income tax and capital gains tax was again to encourage as many people as possible to become shareholders, in order to create "popular capitalism".

When they were launched in 1987, Peps were aimed at the smaller investor (no more than £200 a month), and were designed to ensure that there was a direct link between shareholders and companies.

But the companies promoting Peps found small accounts too uneconomical to handle and have shown little time for the small investor, pressing instead for more upmarket Peps which have been taken up by the sophisticated investor who already had a portfolio of shares. The government has obliged. Up to £6,000 a year can now be invested but the maximum into a unit trust or investment trust is still only £3,000.

Peps have turned into a tax shelter rather than an encouragement to new investors while unit trusts and investment trusts have relished the increased business.

Much the same has happened with the BES, (see opposite) a much older scheme introduced at the beginning of the Thatcher decade.

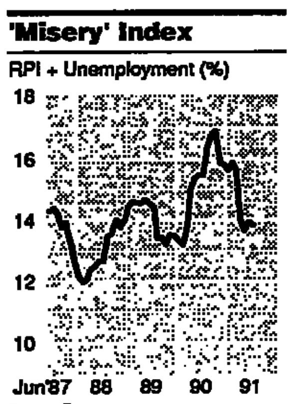
It was different from Tessas and Peps in that it was only likely to appeal to those with money to lose but the aim was still to promote wider share ownership among the public.

Most of the total public BES investment in 1988 was into the hands of fund managers who spread the investment across a number of manufacturing companies as a way of reducing risk for the investor.

But promoters and the larger investors were drawn towards asset-backed companies rather than manufacturing. Once again, the government has obliged and BES now provides investment in low-grade rental accommodation, provided by sponsors, rather than manufacturing. The relative safety of such investment compared to manufacturing can be seen in the drop in BES fund investment from £47m in 1983 to less than £1m last year. But if risk has been minimised to such an extent, it is difficult to see why the government should provide tax breaks.

It is difficult to resist concluding that despite the government's original intentions, the ordinary saver has scarcely benefited from tax breaks. Instead, it is the wealthy investor, investment institutions and intermediaries who have prospered for very little effort.

AT A GLANCE



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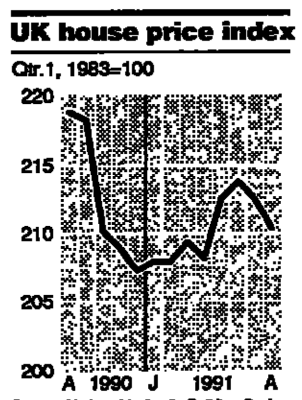


Source: Nationwide Anglia Building Society

Misery index grim reading for Labour

As election fever gripped the country this week, so City analysts started trying to read the economic runes. One popular measure is the "misery index", which simply adds the figure for annual inflation to unemployment (expressed as a percentage of the workforce).

Nobody pretends that a measure this crude will predict the exact results of the next election, but the graph does make interesting reading. If the theory is right, people are getting much less miserable, so this is a good time for the government to go to the polls. Times when the misery index were high correspond closely to to high Labour poll ratings.

Housing market fails to revive

This year's interest cuts are yet to have much effect on the housing market, according to the Nationwide Building Society's house price index for August. The figures show an average one per cent drop in house prices since July.

The average UK house costs £58,337, down from £60,675 in August 1990, according to Nationwide. John Hutchinson, of Nationwide, said: "While the recession continues and uncertainty over employment prospects deters people from moving house, it appears unlikely that the market will pick up to any significant degree."

Nationwide's findings were backed up by a separate survey conducted by Infolink, the credit information agency. Mortgage applications for July were 3.9 per cent down on the same month last year leading Infolink to conclude that there is no indication of a recovery in the housing market.

Co-op launches gold card

The Co-operative Bank announced the launch of a Visa Gold card which is guaranteed free of charges for the life of the holder. The maximum period for free credit has been reduced to 46 days, but the interest rate for borrowers is a competitive 1.75 per cent per month (23.1 per cent APR). The offer closes at the end of December. All holders must be homeowners, earning a minimum of £20,000 per year. Minimum credit limit will be £3,000.

The National Children's Home is launching another free credit card. NCH Mastercards, backed by the Bank of Scotland, make donations to charity on every use of the card. Details are available from the NCH press office on 071-226-2033.

Smaller companies indices rise

Smaller company indices were up in the week to September 5. The Hoare Govett Smaller Companies Index (capital gains version) rose 2.2 per cent from 1211.4 to 1237.9. County Natwest smaller companies index was up 1.9 per cent from 969.7 to 987.7 over the same period.

Commercial property trusts go public

Private investors can invest in unit trusts specialising in commercial property. Norwich Union and Barclays Unicorn have received authorisation from The Securities and Investment Board, the City regulators, to sell their commercial property trusts directly to the public.

The trusts hope to attract investors who believe that the property market has hit the bottom. Concern about the illiquid nature of property may be assuaged by the requirement for 20 per cent of the funds to be held in relatively liquid assets. The Norwich Property Trust is valued at £53m. Barclays Unicorn Property Trust, set up in the early '70s, has assets of £20m.

Wall Street

Disco fever, the latest obsession

DISCO FEVER. That, in the memorable phrase of one Wall Street wit, is what the US markets got a bout of this week.

Traders became obsessed with the question of whether the Federal Reserve will ease monetary policy yet again, or whether the tentative American economic recovery is enough to keep interest rates where they are.

The question still hangs unresolved in the air this weekend, after a succession of economic statistics which have underlined that, while some sort of recovery is under way, it remains very modest.

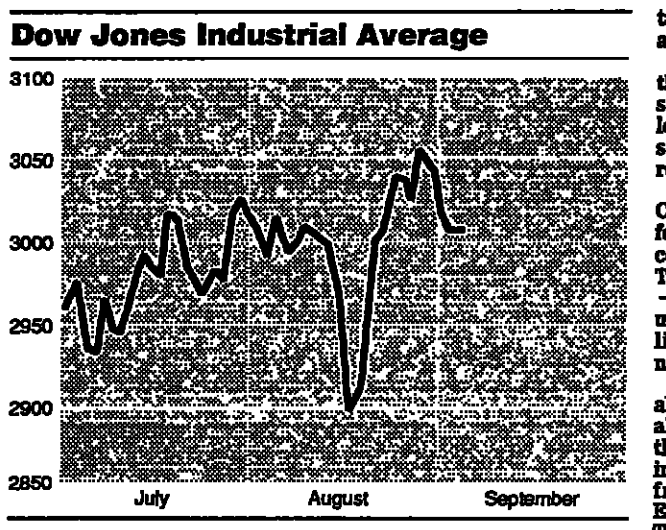
Throughout the week the market's attention was firmly focused on statistics for employment during August, due out yesterday morning, in the belief that a poor set of figures would encourage the Fed to drop the discount rate from 5.5 per cent to 5 per cent (hence disco fever), and ease the important Fed funds rate from 5.5 per cent to 5.25 per cent.

In the event, however, the figures were an anti-climax: not that poor, but not that good either. They were broadly in line with what the analysts had been expecting, showing a 34,000 increase in non-farm payrolls, compared to a drop of 73,000 in July, and an increase of 42,000 in manufacturing jobs.

The manufacturing figures, following a strong improvement in the monthly index of purchasing managers – an important guage of sentiment – shows that industrial production is expanding significantly.

But a substantial proportion of this may be due to a cyclical rebuild of inventory, and it remains far from certain that consumer confidence is recovering sufficiently to sustain the manufacturing upturn in the months ahead. Consumers remain weighed down by debt, a sluggish housing market and fears of unemployment.

Their caution was underlined this week by poor retail sales figures for August and another set of poor car sales figures for the last 10 days of the month.



All these ambiguous signals gave ammunition both to those who argue that the economy is on course for a modest, non-inflationary recovery, with no immediate requirement for the Fed to ease; and to those who say the recovery is in danger of petering out.

Wall Street also remained rivetted by the scandal at securities house Salomon Brothers and its illegal rigging of Treasury bond market auctions, which has led to the resignation of six senior executives. Salomon's new management, headed by Warren Buffett, the eminent fund manager, this week tried to put as much distance as possible between it and its disgraced predecessors.

The company announced that it would pay no compensation, severance or future legal expenses to the four most senior executives who have resigned.

Giving testimony before a Congressional Committee, Buffett revealed that Salomon had controlled 94 per cent of a Treasury note auction in May – an extraordinarily high figure. It was, he added, almost like a "self destruct mechanism."

Congressmen are pressing ahead with legislative proposals to tighten up regulation of the Government bond market - in spite of pleas for caution from the Securities and Exchange Commission and the Treasury.

Salomon itself, for all Buffett's Nebraska charm, faces formidable difficulties. It has been losing clients – including, this week, British Telecom, whose £5bn share offer it was going to lead-manage. Its ability to profit from its core bond trading business has been restricted by a Government ban which prevents it handling clients' business in Treasury auctions; and its admitted rule-breaking has opened up a Pandora's box of legal suits.

Still, Salomon remains the main adviser to Chrysler, the financially stretched car maker in its efforts to raise some $400m of new equity from US and international investors. The company has just begun a road-show to woo US fund managers, who have been expressing concern about the company's future management, given that Lee Iacocca, the chairman, is nearly 67. Perhaps that is why Chrysler chose this week to answer the second most popular guessing game in Detroit: when will Iacocca retire? It is to be in December 1992. But the most popular guessing game – who will succeed him? – is still unresolved.

Monday	closed	
Tuesday	3017.67	– 25.93
Wednesday	3008.5	– 9.17
Thursday	3008.5	
Friday		

Martin Dickson

The Bottom Line

Base your forecast on the forecasters

IF THE combined expertise of two dozen leading forecasters (reported in the *Financial Times* on Monday) is to be believed, the UK economy will be growing again next year, inflation will fall to 4 per cent, but unemployment will rise further.

The survey did not cover the political outlook, but whichever party is in power is expected to keep a tight rein on interest rates, which are forecast to be 10 per cent on average in 1992, only just below current levels.

This outlook would be good for company profits, because the recovery would allow overheads to be spread over increased sales; rising unemployment would signal cost control. It would also be good for equities, but at least part of the benefit is already reflected in the price; one of the reasons for the recent stock market rally is that investors have gradually come to accept this type of forecast as likely.

Still, there should be some further gains as the forecast moves off the computer printout and into the reality of corporate profit and loss accounts.

Another implication of the forecasts is that interest rates will stay well above inflation, so the more competitive building society accounts will not be a bad home for funds, at least for basic-rate taxpayers. The low inflation outlook suggests that index-linked gilts will not perform stunningly well, while offering a prospect that conventional gilts could see gains.

The forecasters do not venture an opinion on the exchange rate, but with inflation down, interest rates staying high, and the current account scarcely widening, there appears to be only a low probability that a realignment within the European Monetary System's exchange rate mechanism would be necessary to bale out the sterling value of poor-performing continental funds.

These conclusions could be thrown off course as speculation about an autumn election increases, but will the forecasts be any more useful once attention returns to economic fundamental?

Economic forecasts have been a reasonably good guide to what will happen in most years, but there have been several occasions when they have been disastrously wrong. One example was the oil price hike during the Six Day War in 1973 and sharp decline in the economy that followed. It was very difficult for the forecasters to have predicted the oil crisis, but that is scant comfort if you were holding equities during the stock market crash that resulted. A more recent example was the forecasters' failure to predict the 1988 boom in UK house prices and consumer spending.

The UK Economy in 1992
FT average of forecasts
(annual percentage rise)

Gross Domestic Product	1.72
Consumer spending	1.52
Retail Price Inflation	3.97
Unemployment (millions)	2.79
Current Account Balance (£bn)	-7.92
Public Sector Borrowing (£bn)	15.52
Interest rates (3 mnth Interbank)	10.03

That was a purely domestic event, so there was less excuse for missing it, and even less comfort for anyone holding a stake in one of the many small companies bankrupted by the high interest rates that resulted. The current round of forecasts looks equally vulnerable.

Abroad, the Soviet break-up poses obvious risks that the forecasters have assumed away, with failure to implement a reform programme threatening hyperinflation, social unrest and a large-scale emigration, while success would open the way to aid that could cost the West $150bn-$200bn (£89bn-£118bn) in the next few years.

In the UK, the election outcome will affect the forecast: a Labour government might have to raise interest rates well above 10 per cent, at least for a while, to convince a sceptical foreign exchange market of its determination to maintain sterling's parity in the ERM; and this could endanger economic recovery; a hung parliament would probably give in and devalue anyway, giving a temporary fillip to exports and profits, at the expense of higher inflation and, ultimately, higher interest rates.

So a lot can go wrong: but there is also a good chance that things will turn out better than the forecasters are predicting. Will unemployment really spiral upwards, damaging consumer confidence and making for a weak recovery? The forecasters are relying heavily on the experience at the start of the 1980s when unenployment carried on rising fast at the end of the recession – and when wage inflation remained stubbornly over 8 per cent, in spite of the high jobless rate.

But comparing the British economy now with its state in the early 1980s is like comparing a CD player with a phonograph. the unemployed ten years ago were concentrated in the old heavy industries, and in the northern parts of the country; once out of work, their chances of re-employment were often very low.

By contrast, job losses in the recent recession have had a severe impact on the services sectors and the southern parts of the UK; there is little heavy industry left to close unless you count the car sector.

The notion that an unemployed secretary in London in 1992 will find as much difficulty getting re-employed as a redundant Liverpool dock worker in 1982 is nonsense. But it is exactly the nonsense that is unfortunately embodied in the computer models used by the forecasters. There is a good chance that unemployment will start falling much more quickly than the forecasters fear. That would boost consumers' confidence and help strengthen the recovery. This would raise equity prices, particularly since the source of the stronger recovery would not be an inflationary surge in demand, but instead a greater than expected flexibility in the labour market, which would help to restrain wages.

One thing about the forecasts is certain; they will not turn out correct. But they make a good starting point for looking at the risks.

Giles Keating

■ *Giles Keating is chief economist at Credit Suisse First Boston*

BES: risks behind the renovated facade

WATERTIGHT AT LAST?

SHOULD THE small investor touch the Business Expansion Scheme with a bargepole?

Until about a year ago, advisers and accountants almost unanimously answered: "No". Typically, this was for the good reason that investments should not be made for tax reasons alone. As one adviser put it: "If I said I could put you into low-grade property, with no chance of seeing your money for five years, you would run a mile."

This has some truth. For all the beautiful buildings and gloss of the prospectuses, ultimately you are being invited to invest in cheap rented accommodation. Student digs, not ivory towers, receive the tax breaks.

However, advisers have shown more willingness to consider the BES over the last year, thanks to the latest idea by the corporate financiers who sponsor the scheme.

This is the "buy-back" company. A BES company spends £5m on housing, which is then used by another body, such as a university or housing association. The university covenants to buy back the housing stock after five years at a fixed price, typically equivalent to around £1.35 for every £1 originally spent.

This reduces risk, and these schemes dominated the market last year. As a rule, it is only covenanted buy-back schemes which mainstream advisers will touch.

The notional interest rates on offer are very impressive – once 40 per cent tax relief has been taken into account, the typical annual return is around 17 per cent, although you should remember that you cannot get any income out within five years, unless you buy another product such as a temporary annuity.

However, the early failures of the BES are proving hard to live down, which explains attempts to popularise new names for the schemes – for example, Johnson Fry tries to call them FIGS (Fixed Interest Growth Shares), while Close Brothers now offers a BESSA (Business Expansion Secure Share Account).

Are these schemes all that they seem? There are certainly more snags than the brochures and marketing tactics, which range from the bogus grandeur to moral blackmail, would let you believe.

One problem is that the schemes are only as strong as their "guarantor". Universities and housing associations are not profit-making bodies, and are not immune to failure.

However, an innovation of the current BES season is to arrange third-party underwriting with a bank. IMAGE, which invests in property in the south west, has its buy-back underwritten by the Bank of America, a double A credit-rated institution. Other schemes are planning to follow this lead.

They may also fail to deliver by simply not doing the deals they say they will. If a scheme does not have covenants in place when it launches, it could be a long time before your money is invested. That also harms the tax relief you eventually receive. Again, sponsors are trying to improve this for the current season. Sun Life has made a point of starting its company's activities early, so tax relief should come through sooner.

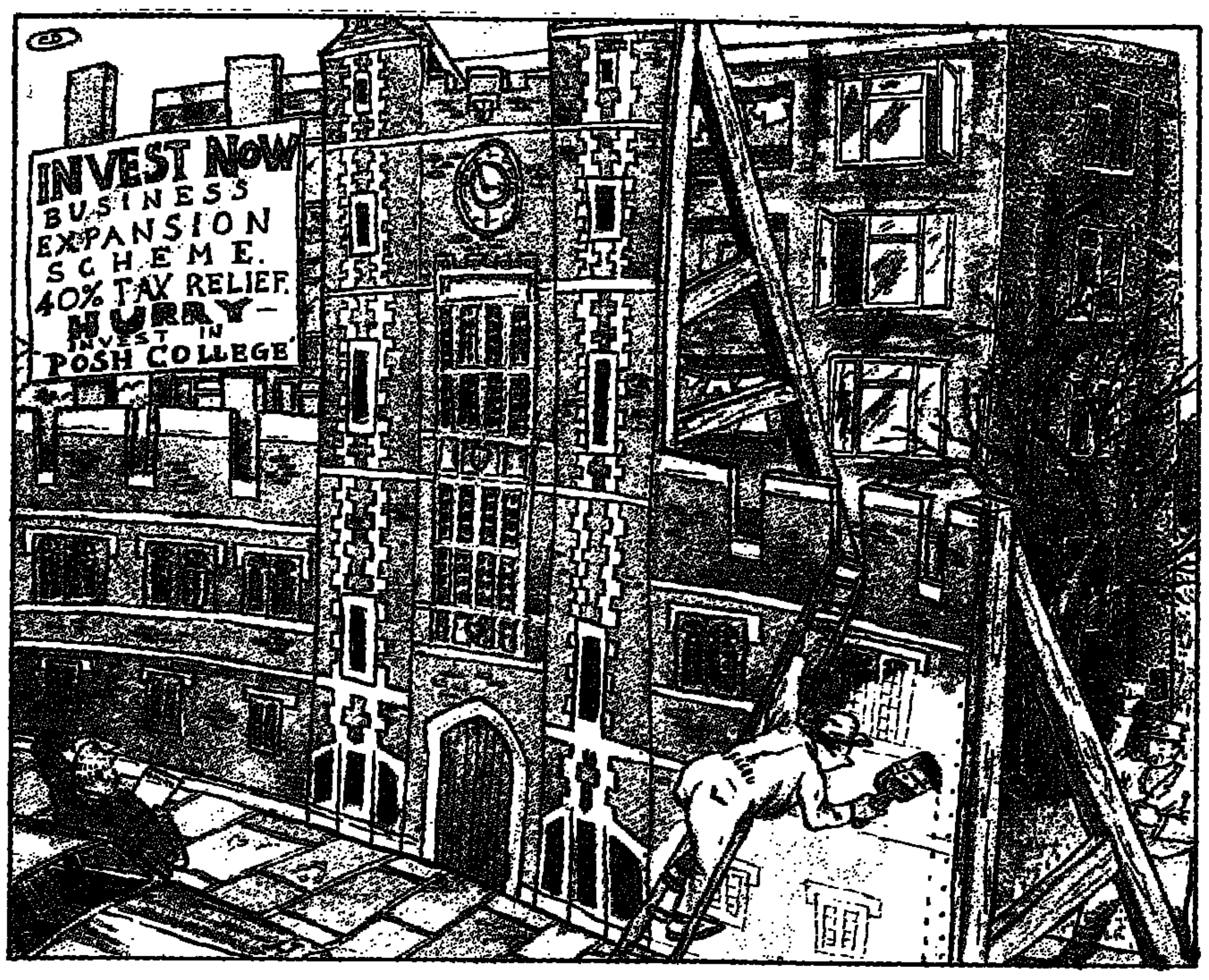
Given the BES's past record, it seems unwise to invest in schemes which do not have a formal buy-back covenant unless you are very rich, a born gambler and deeply averse to paying tax. If so there are a number of "predator"-type BES companies. They raise money in the usual way and then go looking for bargains, of which there are plenty in the recession.

They buy property cheap, let it for five years, and then sell it, hoping to catch a recovery in the housing market.

The lack of an assured exit route, along with no definite deals already in place at the outset, make these schemes inherently much more risky. However, the kind of bargains which the various operators have been picking up suggest that you could be on to a winner with your risk money.

The BES has managed to synthesise a number of different products with different levels of risk. There are some opportunities, but investors still need to be very wary of the misleading claims which litter the industry.

John Authers



THE BASICS

YOU BUY newly-issued shares in the BES company and obtain tax relief on what you invest at your top rate of tax. The maximum amount on which relief can be claimed is £40,000 in any tax year. However, you can carry forward relief if you invest before October 5 – hence the rash of schemes *write John Authers and Scheherazade Daneshkhu.*

To qualify for relief, the shares must be held for five years. There is no capital gains tax when shares are realised. The full sum of the investment must be initially paid to the scheme, who will then send a BES 3 form. The company cannot issue these until at least four months after it has started trading. It also needs to satisfy tax inspectors that it trades fully in accordance with BES rules. Once you have the form you can claim your relief.

■ **Choosing a Scheme:** The new schemes make assessment difficult.

BESt Investment magazine (Tel: 071 936 2037) warns investors that the assumptions used by different promoters quoting returns vary. Some are structured in a way that exposes investors to risk from high repair costs, low rental demand and tax liabilities on the sale of the properties.

BESt has calculated adjusted returns (below) based on a six month delay for tax relief and realisation after five years.

Allenbridge, which publishes Best BES Advice magazine (071-409-1111), also includes in its calculations:

● How strong is the guaranteeing covenant? This determines the ability of the institution offering the buyback option to meet its obligation.

● An assessment of the security provided by the property assets the company will be purchasing. This helps guard against any political risk.

■ **Current Issues.** Investors are spoilt for choice. "Buy-back" schemes launched in the last week include:

Great Western Assured Growth, sponsored by Dartington & Co, will buy housing for Knightstone housing association, based in the south west. Adjusted return: 16.2 per cent.

Johnson Fry Super Growth has covenants from Bedfordshire Pilgrim Housing Association and Swansea university . Adjusted return: 15.7 per cent.

Sun Life BesRes VII Campus will also invest in university and housing association accommodation. Adjusted return: 15.9 per cent.

BESSA UKC, sponsored by Close Brothers, will buy student accommodation for the University of Kent. Adjusted return: 15.7 per cent.

Hungrier schemes include:

Johnson Fry Predator will hunt for bargains mainly in the south of England.

Kerrington Developments III, also under the Johnson Fry wing, will chase bargains in north west London.

Oxford Academic Housing, from the same sponsor, will buy properties in Oxford and let it out for student digs.

South East Recovery II, sponsored by solicitor Neill Clerk will scavenge in the south east.

SunLife BesRes VII Phoenix buys from troubled developers.

A STRANGE HISTORY

TRIAL and error is probably a polite way to describe the story of the government's handling of the Business Expansion Scheme.

The BES today is very different from its predecessor, the Business Start-Up Scheme, introduced in 1981.

During the last recession, the government tried to encourage people to move their money from deposit accounts to new companies to encourage manufacturing. Geoffrey Howe, then Chancellor, described the Business Start-Up scheme in his 1981 Budget as a way of "overcoming the difficulties experienced by people starting their own business in attracting risk capital." The incentive for private investors was generous tax relief available at the investor's highest rate of tax – then 75 per cent – on the money invested. The disadvantage was risk.

But the public response was disappointing and BSS raised less than £40m in its first two years. This was primarily because of the complexity of the legislation which included much anti-avoidance provisions, according to Mavis Seymour, BES specialist at Stoy Hayward.

A more concerted attempt to develop the scheme – which, for the government had the virtue of promoting wider share ownership – was made in 1983. The ceiling on investment qualifying for tax relief was raised from £10,000 to £40,000, and investments were allowed in companies wishing to expand, not restricted to investment in new companies as under BSS. Hence the change of name to the Business Expansion Scheme.

This made it easier for companies to obtain equity. The higher ceiling meant that a company which needed £300,000 in investment now only had to find eight investors rather than 30. For the investor, the tax relief was greater, making the potential risk more worth taking.

BES finally took off – the total funds raised through public offers in its first year (1983/4) was £76.4m.

People with the nerve to invest during the early BES years seem to have deserved any money they made. The failure rate was high. At least 85 of the 227 companies funded by funds or through public prospectus in the 1983/84 tax year failed.

BES funds raised through public offer totalled £123m in 1984/5 and £141m in 1985/86. However, manufacturing was not the main beneficiary of these funds. Investors showed a preference for asset-backed investments such as farmland, fine wine, hotels, and property development.

In an attempt to correct this and direct the money towards British trading companies, the government in 1986 imposed restrictions on the type of companies qualifying for the BES. These were not allowed to hold more than 50 per cent of their assets in land nor could they hold collectable goods (such as wines and antiques) for investment.

But two years later, the government decided to use BES to get the availability of private rental property. "It seems almost crazy," said one BES expert. "After all this legislation to stop people investing in bricks and mortar, the government suddenly used the BES to get assured tenancy off the ground."

While a number of the assured tenancy projects are as "worthwhile" as the manufacturing companies which originally inspired the scheme, many regard the BES today as little more than a tax shelter for low-grade property development instead of an incentive for entrepreneurial businesses.

Seymour believes the government itself regrets the way the BES evolved. "The tax relief on BSS was generous but the basis for investment was narrow and no one took it up. The government felt foolish so it broadened the scheme. It then regretted not refining the BES. This could have been done by limiting tax relief for companies it did not wish to encourage, such as hotels, and giving the full relief to manufacturing companies."

Scheherazade Daneshkhu

FINANCE AND THE FAMILY

Mortgages: is it time to fix your rate?

Home loans have been cut and special offers abound – but watch the small print, warns ***David Barchard***

ABBEY NATIONAL took the market by surprise this week when it lowered its mortgage interest rate by 0.4 percentage points within hours of Wednesday's base rate cut.

Lenders were probably planning to hold out for another half point cut, but once Abbey National made its move and Halifax followed, other institutions had little choice.

Lloyds Bank has cut its mortgage rate to 11.55 per cent (APR 12.2 per cent) while Royal Bank of Scotland, Woolwich, UCB, Bradford & Bingley, Nationwide, Cheltenham & Gloucester and National & Provincial all now offer a basic rate of 11.5 per cent. Other banks and centralised lenders can be expected to fall in line.

For most people, another half a percentage point cut is very welcome. First time buyers in particular should find conditions very favourable for their needs. If they borrow more than £60,000 they ought to be able to combine the discount offered to first time buyers with that offered by most lenders to larger borrowers. This should push their interest rate below 10 per cent.

Ian Darby, marketing manager of John Charcol, the London mortgage brokers, says that borrowers who do this should look carefully at how long the discounts will last. Most discounts for first time buyers last only a year – when the mortgage reverts to the full variable rate, a borrower might suffer a sharp jump in payments.

One apparently outstanding mortgage offer to first time buyers this week comes from Yorkshire Building Society which has a rate of 8.55 per cent (APR 11.80 variable) to new entrants to the market, for the first six months. But six months is a short time in the life of a mortgage and anyone taking up this offer should be clear about what rate they will pay after the 2.55 per cent discount period is over.

Mortgage rates are now back to levels last seen in the autumn of 1988. But the real question is whether interest rates are likely to fall further – if not, this is the time to go for a fixed rate.

Mandy Witt, a mortgage broker at Greig Middleton, points to the Cheltenham & Gloucester fixed rate mortgage as one of the best available. It offers customers 10.95 per cent (12.0 APR) fixed for five years. An alternative is a 9.95 per cent (12.0 APR) rate for one year on loans over £100,000.

Two questions should be asked when looking at fixed rates. The first is what sort of arrangement or remortgage fees there may be. In the case of Cheltenham & Gloucester's product it is £250.

Then you should ask about early redemption penalties. These should be minimal for ordinary variable rate mortgages but fixed rates tap funds purchased in advance by societies. If you redeem the mortgage early, they are left with the funds on their hands. In the case of C&G, there is a stiff penalty of six months' interest. However, it is a "portable" mortgage: you can take it with you without penalty if you move house.

Most other mortgage offers are for much shorter periods. Many offer cheaper rates only for between 12 and 24 months. They may charge 9.95 per cent till June next year or 10.7 per cent until the summer of 1993.

If the general election is not held until next year, and the recession and interest rate cuts persist well into 1992, some of these deals might not prove very advantageous.

John Charcol this week offered its customers 9.99 per cent (APR 12.4 per cent) fixed until January 1994 using funds from a building society. This too is a portable mortgage, with a three months early redemption penalty until 1994. An attractive feature is that it will cover up to 90 per cent of the property's value.

Cap and collar mortgages, which hold your interest rate payments within a fixed band, are helpful for many people. National & Provincial has one which keeps the interest rate between 10 per cent and 12.5 per cent for five years.

However, any fixed rate mortgage involves a gamble. One does not know what the future holds. In 1988, fixed rates at 11 per cent looked unattractive: a year later anyone who had taken such a rate out was sheltered from the surge in the banks' base rate. Conversely, those who took loans at a fixed 13 per cent must be examining their early redemption clauses and wondering whether a move to a lower rate is worthwhile.

Could base rates now fall towards the 7.5 per cent they touched in May 1988? If they do, the appeal of the present generation of fixed rate mortgages will stale. But in recent history UK bank base rates have seldom stayed below 10 or 11 per cent for long. The time when fixed rates can fall no further may be with us in a matter of months. Those who move now are unlikely to have many regrets later.

The Week Ahead

Drug lines studied

THE reporting season continues apace next week with a crowd of big industrial groups ranging from Glaxo to Rolls-Royce revealing how well they have – or have not – coped with the recession.

Glaxo on Thursday is expected to turn in pre-tax profits for the year ended June of around £1.24bn against £1.16bn a year earlier and an increased dividend. Margins are likely to have held up well despite heavy sales and R&D costs.

Analysts will be scrutinising sales of various drug lines. Zantac, the ulcer treatment, is expected to maintain double digit volume growth. The performance of two new drugs, Zofran for nausea and Serevent for asthma, is of interest.

Rolls-Royce's interim pre-tax profits on Thursday are expected to be almost wiped out compared to last year's £115m. Even optimists expect only £25m pre-tax. The plunge is caused mainly by a slowdown in civil aerospace following a fall in demand for spare parts. The company is expected to be confident enough to maintain the dividend at 2.55p.

Will British Aerospace spring a rights issue on Wednesday? Speculation of one has caused recent weakness in the share price. Interim pre-tax profits are expected to slump to about £110m (£146m). There is a chance of a dividend rise, however, to 9.8p (8.9p).

Cadbury Schweppes is likely to report on Wednesday interim pre-tax profits ahead slightly to about £112m (£104.7m). Confectionery has fared well in the UK but less well in places like Australia. Beverages, hit by poor weather and the recession, will look weak in comparison with last year's very strong first half.

RTZ Corporation, the world's biggest mining company, is expected to report on Thursday interim pre-tax profits down as much as 40 per cent to £164m.

RTZ draws more than one-third of its profit from copper, which has fallen in price from a 1990 average of $1.21 a lb to about $1.06 so far this year.

Timely investment trusts

INVESTMENT Trust Savings Schemes seem to be an idea whose time has come.

Take-up of the schemes has increased sharply since they were introduced in 1984, and companies are queuing up to offer new savings scheme products.

For example, Moorgate, which specialises in smaller companies investment trusts, launches a savings option later this month. Touche Remnant, one of the biggest management groups, has announced a special offer. The Smaller Companies trust, its largest, will waive its usual 1 per cent transaction charge until the end of October, for saving scheme investment. Fidelity, the fifth biggest unit trust provider, will launch an investment trust next month. It plans a £50 per month minimum saving scheme with no opening charge.

Perhaps most ambitiously, Ivory & Sime, the largest investment trust manager in Scotland, is launching a scheme to invest with no front-end charge in any of its eight investment trusts. The minimum investment is £25. You can also invest a minimum of £100 into an Ivory & Sime investment trust Personal Equity Plan, thus saving tax, without charge.

Why have the schemes, which have only been available as a method of buying investment trust shares since 1984, suddenly become so popular? Several trusts have been around since Victoria's reign. The management has not been geared for marketing trusts to private investors, rather than institutions.

As far as savers are concerned, a scheme is a more useful way to invest. Investing a lump sum introduces the problem of timing. For example, if you had put £1,000 into a trust in September 1987, just before "Black Monday", you would be doing a lot worse than if you invested in November 1987.

Under a saving scheme "pound-cost averaging" works in your favour. Provided the trend is upwards, a fall in the value of your investment is good news, because you will buy more shares with your monthly amount.

Low administration charges are the other big advantage. Several groups offer savings without any charge and all offer a much cheaper service than you would get buying the shares via a broker.

All of this helps account for the greater interest in the schemes, although you should note that this popularity has in itself helped performance. Investment trusts are quoted shares so their value is not just determined by the value of their funds. If the shares are popular, their price will rise, even if the investment performance is not that good. Conversely, if the market dislikes a trust, it will do badly.

Over the last few years, increased buying by small investors has driven up the value of investment trust shares, and reduced the discount to the net value of the assets they hold. This cannot continue indefinitely.

So how good is the schemes' performance? The following figures, from Micropal, are to an extent hypothetical, as the schemes only started in 1984. They show how your investment would have fared if you had invested £50 per month each month for the last five, and ten years. The five-year timescale catches the worst of "Black Monday".

Over five years, total investment of £3,000 would on average have turned into £3,679.37 – not perhaps all that impressive. But over ten years, a total of £6,000 invested would on average be worth £13,974.40.

Some trusts have done better – taking trusts currently in the news as examples, over ten years the Moorgate trust would have turned £6,000 into £17,174.92, TR Smaller Companies, would have produced £14,042.08, and Ivory & Sime's Investors Capital £15,678.08.

Smaller companies trusts over ten years are the weakest sector, averaging £10,898, while UK Income Growth is the strongest at £17,126.19.

Only those trusts whose managers have savings schemes are included in the table. Charges are not included and Micropal's figures are "offer-to-offer", so they do not take account of the spread between buying and selling prices.

Note that under pound-cost averaging, where it is better for a trust to dip before growing than to grow steadily, the precise top performers are different. For example, on lump sum investment, Bankers comes out ahead of Alliance over ten years, according to Micropal.

John Authers

International General Investment Trusts savings scheme

	Over 5 years		Over 10 years	
	1/9/86 to 2/9/91	Rank	1/9/86 to 2/9/91	Rank
Alliance	£4,752.49	1	£16,895.12	4
Bankers	£4,701.49	2	£18,724.25	1
Second Alliance	£4,675.52	3	£16,922.71	3
Personal Assets	£4,585.62	4	–	–
Foreign & Colonial	£4,422.06	5	£17,581.16	2
Edinburgh	£4,380.12	6	£14,643.19	10
British	£4,318.95	7	£15,497.52	6
Tribune	£4,264.65	8	£16,317.80	5
Scottish Mortgage	£4,196.93	9	£15,330.73	7
Witan	£4,052.02	10	£14,988.60	9
Sector Average	£4,128.78		£16,428.73	

Offer-to-offer prices. £50 invested monthly

Source: Micropal

For the rugby fans only

WHAT COMPANY could contemplate raising £37m offering nothing but the right to spend a few winters' days out in the open fighting off cold Scottish winds – and require that you pay extra if you actually wish to exercise that right?

That is the proposition being put forward by the deadpan Scots who run Murrayfield, the stadium in Edinburgh where Scotland plays its international rugby matches.

Gordon Masson, president of the Scottish Rugby Union, is confident that it is feasible to finance a £37m redevelopment of the stadium by issuing non-interest bearing debentures conferring only the right to purchase tickets for a designated seat. In practice some money should come from other sources but the issue will still dwarf last year's £8.5m issue for Glasgow Rangers (85 per cent subscribed so far) and this year's £16.5m offer for Arsenal football club (only one-third subscribed).

The debenture issue is intended to enable Murrayfield both to create an all-seater stadium and increase capacity from 54,000 to 65,000 by the end of 1994. It will capitalise on the fact that getting seats for home internationals is virtually impossible unless you are either a member of a Scottish rugby club (and even then you usually have to take your chance in a ballot) or are one of the 7,000 people who hold either debentures issued in perpetuity in 1925 or the 20-year interest-free loan issued in 1983.

How many debentures will be issued, what they will cost and how long they will last will only be decided next month when the SRU and its advisers have gauged interest from pre-registration which began on Wednesday with the opening of a hotline (0345-151515).

However, prices, according to the type of seat, will probably go up from about £1,000 to £3,000. Between 15,000 and 20,000 debentures are likely to be on offer. In addition there will be 1,500 seats with access to new hospitality suites.

If you pre-register and buy a debenture before October 25 you will, subject to demand, be guaranteed a ticket for one home international match from next season onwards until your seat is available for occupation. From the organisers' point of view the beauty of the offer is that it is not a once and for all affair. The SRU can go on selling debentures until its needs are met.

Unless you are interested in rugby this is probably not an investment for you. But it is worth remembering that the 1925 debentures (issued at £100) change hands at about £7,500 and the loan stock (issued at £400) for £2,500.

James Buxton

Brokers act to lift their image

BRITISH stockbrokers this week launched a glossy promotional video in an effort to demystify their elitist image and woo potential clients. However, on first viewing it only seems to pay lip service to the idea of serving small investors.

Andrew Hugh-Smith, Stock Exchange chairman, said that a quarter of the population owned shares but three-quarters of these held only one or two companies, mostly acquired by clipping coupons for privatisations.

"They have been at a loss in knowing how to add to those portfolios and how to look after them," said Hugh-Smith. "The video will show that brokers' offices are full of approachable individuals who can handle the enquiries of ordinary individuals, not just formidable people like Aunt Agatha."

"We rejected the factual route," said John Cobb, chairman of the Association of Private Client Investment Managers and Stockbrokers, which co-produced the video with the Stock Exchange.

The 12 minute video, made by Chevron Communications, is a series of rather patronising scenes in which assorted stereotypes – man in pub, fruit and veg retailer, E-type Jaguar owner – discover shares and stockbroking.

"That should go down well in Scunthorpe," said market-maker Brian Winterflood of Winterflood Securities. "It didn't strike one as well informed enough. Stocks and shares are for buying and selling, not keeping. They are gambling counters really."

A number of the brokers seemed to show little interest in advising truly "small" clients. Michael Read of Greig Middleton said people should not even look at stocks and shares unless they already had £10,000 to £15,000 in National Savings and building societies.

Asked about the 11m small privatisation shareholders, he said: "There are dealing-only services available for those people. I agree that they are precisely the people needing advice, but that is impossible. This is something the government has not addressed and we cannot solve."

The video uses an Alliance and Leicester branch as a background to its dismissiveness of building society saving, but Peter White, A & L deputy chief executive, seemed far from displeased. "That video is the best argument for building society investment I have yet seen," he said.

Barbara Ellis

THE BEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Southdown BS	SuperSaver	0273 471671	Instant	£1	11.00%	Yly
Nottingham BS	Capital Postal AC	0602 481444	Instant	£5,000	12.00%	Yly
			Instant	£50,000	12.25%	Yly
National Counties BS	*90 Day A/C*	*0372 742211*	*90 Day*	*£20,000*	*12.15%*	Yly
Newcastle BS	Nova Star	091 232 6676	15 Mnths	£5,000	12.50%	Yly
Lambeth BS	2 Yr Term Share	071 928 1331	2 Year	£500	12.20%	Yly
Alliance & Leicester BS	*Special Return*	0533 717272	2 Year	*£10,000*	12.25%	Yly
Nationwide BS	Postal Bond	0793 694465	2 Year	£25,000	12.50%	Yly
TESSAs (Tax Free)						
National Counties BS		0372 742211	5 Year	£3,000	13.75%	Yly
Darlington BS		0325 487171	5 Year	£1	13.50%	Yly
Lambeth BS		071 928 1331	5 Year	£20	13.40%	Yly
Cheshunt		0992 26261	5 Year	£1	13.50%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	10.00%	Yly
Chelsea BS	Classic P/Acc	0242 521391	Instant	£10,000	11.20%	Yly
				£25,000	11.70%	Yly
Northern Rock BS	Current A/C	091 285 7191	Instant	£25,000	11.16%	Mly
OFFSHORE ACCOUNTS (Gross)						
Yorkshire BS Guernsey	Key Access	0481 719898	Instant	£25,000	11.40%	Yly
C & G Channel Islands Ltd	Guernsey Gold	0481 715422	Instant	100,000	12.00%	Yly
Bradford & Bingley Douglas	Maximiser Ind	0624 662883	90 Day	£5,000	11.00%	Yly
Yorkshire BS Guernsey	*O'shore Key Extra*	*0481 719898*	*180 Day*	*£50,000*	*12.50%*	Yly
C & G Channel Islands Ltd	Guernsey Bond	0481 715422	12 Mth	£10,000	11.65%	OM
GUARANTEED INCOME BONDS (Net)						
Canada Life FN		0707 51122	1 Year	£50,000	9.05%	Yly
Financial Assurance FN		081 367 6000	2 Year	£5,000	9.00%	Yly
Prosperity Life FN		0622 690555	3 Year	£2,000	9.25%	Yly
Providence Capitol FN		0256 7688884 Year				
	£25,000	9.35%	Yly			
Consolidated Life FN		081 940 8343	5 Year	£2,000	9.50%	Yly
NAT SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£5	10.25%	Yly
	Income Bonds		3 Month	£2,000	11.75%	Mly
11.00% wef 13.9.91						
	Capital Bonds C		5 Year	£100	11.50%	OM
NAT SAVINGS CERTIFICATES (Tax Free)						
	36th Issue		5 Year	£25	8.50%F	OM
	5th Index Linked		5 Year	£25	4.50% +Infln	OM
	Childrens Bond F		5 Year	£25	11.84%	OM

All rates (except Guaranteed Income Bonds) are shown Gross
* = Gross Equivalent Rate. Fixed; Fixed Rate (All other rates are variable. OM = Interest paid on maturity. N = Net Rate. B = Bond
Source: Moneyfacts, The Monthly Guide to Investment and Mortgage Rates, Walsham House, Stalham, Norwich.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
API	156½	111	97	32.72	NMC
Apollo Watch	3*	2¾	2¼	1.52	Time Products
Carbo	239§§	226	230	30.93	Hopkinsons Grp.
Copson (F.)	38*	35	35	4.43	Precis
Cramphorn	107	108	81	17.65	Wyevale Gdn.
Food Inds.	Ir151.0♥	Ir142	Ir135	Ir58.12	Greencore
Invergordon	225*	258	163	286.28	Whyte & Mackay
Macarthy	244	289	168	67.12	Grampian Hldgs.
Macarthy	301§§	289	255	82.85	*Lloyds Chemists*
Rockware	103*	107	59	176.87	BTR
SD-Scicon	60*	60	43	121.16	Elect.Data Syst.
Do. Pref.	139*	140	93	40.01	Elect.Data Syst.
Tyndall Hldgs.	59½§§	56	49	33.09	Jupiter TM

*All cash offer. ††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 2.30pm prices 6/9/91. †At suspension. §§Shares and Cash. ♥Approximate average value, assuming each shareholder elects to take up full pro rata entitlement of the Convertible Alternative. Offer comprises two parts 1)Ir£1.468 cash 2) a 9½% Convertible Loan Stock Alternative 1995 (conversion price 270p) on the following basis: in lieu of every Ir£1.00 of cash under the offer-Ir£1.00 nominal amount of Greencore Convertible.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Bennett & Fountain	Jun	2,310	(9,990 L)	2.2	(-)	-	(-)
Black (Peter)	Jun	7,240	(10,300)	9.16	(13.35)	2.84	(2.84)
Cook (DC) Holdings	Apr	1,480 L	(2,130)	0.15	(5.41)	1.0	(1.0)
English & Caledonian	Jun	134#	(184#)	2.89	(4.1)	3.15	(3.0)
Europe Energy Group	Dec	7 L	(18 L)	-	(-)	-	(-)
Ex-Lands	Jun	8 L	(689 L)	-	(-)	-	(-)
Heritage	Apr	381 L	(1,180 L)	-	(-)	-	(1.29)
Isotron	Jun	2,610	(2,950)	15.1	(15.5)	3.59	(3.12)
Murray Income Trust	Jun	11,670†	(11,806†)	10.37	(10.38)	9.9	(9.0)
SEET	Apr	1,250 L	(336 L)	-	(-)	-	(-)
Shorts Brothers	Jan	26,500	(-)	-	(-)	-	(-)
Specialeyes	Jun	201	(2,710 L)	2.04	(-)	-	(-)
Stonehill Holdings	Mar	1,130 L	(2,200 L)	-	(-)	-	(-)
Trevian Holdings	Apr	985 L	(2,070)	-	(12.3)	1.0	(3.3)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Addison Consultancy	Jun	40	(239 L)	-	(-)
AMEC	Jun	21,900	(28,600)	4.0	(3.875)
American Trust	Jul	2,090#	(1,960#)	1.5	(1.45)
Arnotts	Jul✝	1,210	(1,080)	2.25	(2.25)
ASW Holdings	Jun	8,100	(21,100)	4.5	(4.5)
BAT Industries	Jun	413,000	(548,000)	22.4	(20.7)
Bedford (William)	Jun	76 L	(12)	-	(-)
Betacom	Jun	129	(589 L)	-	(-)
Blue Circle Inds.	Jun	57,500	(93,000)	3.75	(3.75)
Booker	Jun	37,800	(36,100)	7.5	(7.25)
Bowater	Jun	51,000	(48,400)	9.5	(9.5)
Bristol & West	Jun	39,200	(32,400)	-	(-)
British-Borneo Pet.	Jun	1,660	(705)	2.667	(2.667)
British Dredging	Jun	759	(1,690)	2.6	(2.6)
BTR	Jun	512,000	(506,000)	7.5	(7.0)
Burford Holdings	Jun	1,630	(1,350)	0.45	(0.4)
Burmah Castrol	Jun	72,200	(79,200)	8.5	(8.5)
Calderburn	Jun	2,300	(3,520)	2.8	(2.52)
Church & Co.	Jun	14	(1,870)	3.0	(3.0)
City & Commercial	Jul	1,000#	(929#)	-	(-)
Clondalkin	Jun✝	5,620	(4,850)	1.698	(1.57)
Coats Viyella	Jun	48,100	(54,900)	3.0	(3.0)
Cookson Group	Jun	17,000	(71,400)	3.0	(3.0)
Courtaulds Textiles	Jun	16,600	(16,400)	4.2	(4.0)
CRH	Jun✝	21,100	30,800	2.15	(2.0)
Croda International	Jun	10,200	(17,200)	2.75	(4.1)
Daniels (S)	Jun	8 L	(12)	-	(1.25)
English & Overseas	Jun	551 L	(908)	0.5	(2.0)
Grafton	Jun✝	1,620	(2,300)	2.5	(2.5)
Guernsey Gas Light	Jun	2,480	(1,950)	0.9	(0.9)
Hambro Countrywide	Jun	4,260 L	(952)	0.05	(0.05)
Hillsdown Holdings	Jun	77,600	(78,900)	2.2	(2.0)
IMI	Jun	40,100	(63,500)	4.2	(4.2)
Instem	Jun	507	(505)	1.20	(1.20)
Intrum Justitia	Jun	4,600	(3,010)	0.8	(0.6)
Isle of Man Steam	Jun	821	(656)	3.0	(2.0)
JMD Group	Jun	67 L	(874 L)	-	(-)
Jourdan (Thomas)	Jun	595 L	(532)	0.5	(1.5)
Kingspan	Jun✝	1,500	(1,700)	1.0	(1.0)
Kingston Oil & Gas	Jun	761	(397)	1.0	(0.56)
Lowe (Robert H)	Apr	366 L	(371 L)	-	(-)
Maclarlane Group	Jun	4,020	(4,800)	1.75	(1.70)
Mallett	Jun	880	(2,680)	1.5	(2.0)
Maple Leaf	Jun●	35,000	(27,000)	-	(-)
MTM	Jun	10,300	(5,300)	1.87	(1.7)
Nestor-BNA	Jun	2,390	(3,540)	1.15	(1.15)
Office & Electronic	Jun	14	(10)	0.1	(0.1)
Oriel Group	Jun	1,600	(1,000)	1.8	(1.5)
Peek	Jun	3,020	(6,030)	1.05	(1.05)
Pendragon	Jun	2,020	(3,140)	2.0	(1.8)
Pentos	Jun	2,900	(2,900)	0.7	(0.6)
Persimmon	Jun	12,500	(15,600)	2.8	(2.3)
Pickwick Group	Jun	82	(1,540)	1.65	(1.65)
Pittencrieff	Jun	1,550	(482)	2.5	(2.0)
Porvair	May	670	(601)	1.1	(1.0)
Provident Financial	Jun	10,600	(10,500)	8.5	(8.0)
Psion	Jun	27	(314)	1.0	(1.0)
Readymix	Jun✝	1,760	(2,350)	0.55	(0.55)
Reckitt & Colman	Jun	127,600	(113,150)	5.55	(4.9)
Record Holdings	Jun	1,570	(2,100)	1.15	(1.15)
Reece	Jun	540	(138 L)	0.1	(-)
Richards Group	Jun	505	(705)	1.65	(1.65)
Ropner	Jun	2,270	(2,970)	3.5	(3.5)
Saatchi & Saatchi	Jun	4,200 L	(13,500)	-	(-)
Sale Tilney	May	3,680 L	(3,910 L)	-	(-)
Scholl	Jun	11,600	(11,500)	2.5	(2.5)
Sedgwick Group	Jun	65,300	(67,700)	4.0	(4.0)
Senior Engineering	Jun	[illegible]	[illegible]	[illegible]	[illegible]
Stat-Plus	Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sun Alliance	Jun	114,000 L	(119,000 L)	5.25	(5.0)
Taylor Woodrow	Jun	[illegible]	[illegible]	[illegible]	[illegible]
TAN	Jun	[illegible]	[illegible]	[illegible]	[illegible]
Trans World Comms.	Jun	1,030 L	(1,170 L)	-	(-)
Uniders	Jun✝	[illegible]	[illegible]	[illegible]	[illegible]
Vision Group	Jun	[illegible]	[illegible]	[illegible]	[illegible]
Wilson Bowden	Jun	[illegible]	[illegible]	[illegible]	[illegible]
Wimpey (George)	Jun	[illegible]	[illegible]	[illegible]	[illegible]
Wood (Arthur) & Son	Jun	[illegible]	[illegible]	-	(-)
WSP Holdings	Jun	[illegible]	[illegible]	[illegible]	[illegible]
Xtra-vision	Jun	[illegible]	[illegible]	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. ✝ = Figures quoted in Irish pounds & pence. # = Net revenue. † = Revenue before tax. ● = Operating profit figures for 1st quarter quoted in Canadian dollars.

RIGHTS ISSUES

Trans World Communications is to raise £12m via a 5-for-2 rights issue at 45p.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Adscene Group	Tuesday	2.0	2.0	0.75
Arcadian International	Monday	1.0	3.0	-
Cantors	Tuesday	1.0	3.0	1.0
Close Brothers Group	Monday	2.6	5.4	2.8
Glaxo Holdings	Thursday	7.0	15.0	8.5
Goodhead Group	Monday	1.75	3.75	0.5
Haggas (John)	Tuesday	1.0	1.0	-
Haynes Publishing	Monday	4.5	5.5	1.0
JF Philippine Fund	Wednesday	-	-	-
Macro 4	Tuesday	3.7	5.2	3.82
Micklegate Group	Tuesday	-	1.5	-
Molyneux Estates	Wednesday	-	0.5	-
Northern Industrial Improve.	Wednesday	7.0	13.0	7.0
Precious Metals Trust	Thursday	-	2.0	-
Sirdar	Thursday	1.65	3.5	1.65
Stormgard	Thursday	0.1	1.0	-
Walker (Thomas)	Friday	0.26	1.22	0.17
INTERIM DIVIDENDS				
Abbeycrest	Wednesday	1.2	2.4	-
Acsis Group	Friday	0.4		-
Associated British Ports	Thursday	2.75	4.5	-
Baird (William)	Thursday	3.55	6.35	-
Beattie (James)	Tuesday	1.4	4.1	-
Beradin Holdings	Friday	-	0.45	-
Berry Starquest	Friday	-	1.8	-
Black (A&C)	Wednesday	4.25	8.75	-
Bletchley Motor Group	Thursday	4.1	3.75	-
Brammer	Thursday	4.5	8.5	-
British Aerospace	Wednesday	8.9	16.1	-
British Vita	Monday	3.3	3.4	-
Bunzl	Wednesday	2.6	3.3	-
Cadbury Schweppes	Wednesday	3.0	8.5	-
Caird Group	Wednesday	1.2	1.2	-
Cakebread Robey	Wednesday	0.9	2.1	-
Candover Investments	Monday	3.0	5.5	-
Canning (W)	Thursday	2.94	4.35	-
Cannon Street Investments	Thursday	3.3	5.5	-
Caparo Industries	Wednesday	1.5	2.3	-
Caverdale Group	Monday	-	-	-
Celestion Industries	Wednesday	-	1.2	-
Copymore	Wednesday	0.8	1.7	-
Costain Group	Wednesday	4.75	7.5	-
Cussins Property Group	Thursday	3.75	-	-
Dairy Farm International	Friday✝	1.35	3.25	-
Delta	Tuesday	4.2	9.8	-
Elys (Wimbledon)	Friday	1.5	14.5	-
Emess	Thursday	1.3	2.2	-
Enterprise Oil	Wednesday	6.0	9.0	-
Erith	Wednesday	1.3	2.6	-
Estates & General	Thursday	1.22	2.52	-
European Project Investment	Friday	-	0.2	-
Evans Halshaw Holdings	Monday	3.6	7.65	-
Fairey Group	Monday	2.75	5.5	-
Ferrum Holdings	Tuesday	1.0	1.25	-
Filofax Group	Friday	-	-	-
Gaskell	Tuesday	3.0	5.5	-
Gowrings	Wednesday	2.25	1.0	-
Great Southern Group	Thursday	3.0	6.5	-
Haden MacLellan Holdings	Thursday	3.0	5.0	-
Harrisons & Crosfield	Wednesday	3.6	5.4	-
Hartons Group	Thursday	0.1	-	-
Herring Son & Daw Holdings	Tuesday	3.0	3.5	-
Hewitt (J) & Son (Fenton)	Wednesday	1.0	1.5	-
Highlands & Lowlands Berhad	Thursday#	5.0	7.5	-
Home Counties Newspapers	Tuesday	2.75	5.5	-
Iceland Frozen Foods	Wednesday	2.3	4.8	-
Invergordon Distillers Group	Wednesday	2.0	3.0	-
ISA International	Monday	0.41	0.87	-
Kleinwort Smaller Co's Inv.	Wednesday	1.35	3.25	-
Laing (John)	Thursday	3.0	10.0	-
Lambert Howarth	Tuesday	3.8	7.85	-
Legal & General Group	Thursday	5.9	12.0	-
Linread	Monday	2.0	3.7	-
Linton Park	Wednesday	2.5	10.5	-
Mandarin Oriental Int'l.	Thursday	-	-	-
Manders (Holdings)	Monday	2.0	5.0	-
Matthews (Bernard)	Thursday	2.0	2.5	-
Merchants Trust	Tuesday	2.26†	2.25	-
Micro Focus Group	Thursday	-	-	-
Mowlem (John) & Co.	Wednesday	5.65	15.35	-
MTL Instruments Group	Thursday	1.2	1.6	-
Northern Engineering Inds.	Thursday	-	-	-
Nurdin & Peacock	Wednesday	11.87	3.33	-
Ocean Group	Wednesday	4.67	9.53	-
Padang Senang Holdings	Wednesday	-	0.6	-
Page (Michael) Group	Tuesday	0.6	1.2	-
Parambe	Tuesday	[illegible]	[illegible]	-
PCT Group	[illegible]	[illegible]	[illegible]	-
P-E International	[illegible]	[illegible]	[illegible]	-
Perkins Foods	[illegible]	[illegible]	[illegible]	-
Pittard Garnar	[illegible]	[illegible]	[illegible]	-
[illegible]	[illegible]	[illegible]	[illegible]	-
Portals Holdings	[illegible]	[illegible]	[illegible]	-
Prudential Corporation	[illegible]	[illegible]	[illegible]	-
Rathbone Brothers	[illegible]	[illegible]	[illegible]	-
Refuge Group	[illegible]	[illegible]	[illegible]	-
Robinson Bros. (Ryders Green)	[illegible]	[illegible]	[illegible]	-
Rolls Royce	[illegible]	[illegible]	[illegible]	-
RTZ Corporation	[illegible]	[illegible]	[illegible]	-
Savoy Hotel	[illegible]	[illegible]	[illegible]	-
Scottish Heritable Trust	[illegible]	[illegible]	[illegible]	-
Severfield-Reeve	[illegible]	[illegible]	[illegible]	-
Sherwood Computer Services	[illegible]	[illegible]	[illegible]	-
[illegible]	[illegible]	[illegible]	[illegible]	-
Singapore Para Rubber Estates	[illegible]	[illegible]	[illegible]	-
Singer & Friedlander	[illegible]	[illegible]	[illegible]	-
[illegible]	[illegible]	[illegible]	[illegible]	-
Swallowfield	[illegible]	[illegible]	[illegible]	-
Templeton Galbraith & Hans.	[illegible]	[illegible]	[illegible]	-
TLS Range	[illegible]	[illegible]	[illegible]	-
TT Group	[illegible]	[illegible]	[illegible]	-
United Biscuits (Holdings)	[illegible]	[illegible]	[illegible]	-
USDC Investment Trust	[illegible]	[illegible]	[illegible]	-
Wilson (Connolly) Holdings	[illegible]	[illegible]	[illegible]	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ✝ = Figures quoted in US cents. # = Figures quoted in Malaysian cents. † = Second quarterly dividend.

The Focused Investor

Investing for income: ten top tips

Before you ask how well an investment will perform, you need to decide what you want it to achieve. There is no point in investing a sum which will grow immensely after 25 years if what you really want is an income each month. Over the next month, the *Weekend FT* will examine such choices. This week, we look at investing for income. Future articles will examine investing for growth, security, and saving tax. Each week we will offer ten suggestions. These lists will not be exhaustive, but they should tell you how to tailor financial products to your own needs, rather than those of the companies which provide them.

John Authers introduces a new series on investing for specific needs

THE MOST popular way of investing for income is to sell your labour to somebody else, who pays you a regular salary in return.

Few investments will outperform a salary, although they should require less effort. Investing for income is, classically, done by those who have a large capital sum but little regular income: pensioners.

If you are receiving a salary, it might be best to keep your savings long-term and aim for growth. If you do this through a pension you can do so very tax-efficiently, provided that you convert your fund into income when you retire. This method of investing for income is hard to beat if you are prepared to wait a while.

If you need to turn your money into a reasonably immediate income, the following might be of interest:

■ Temporary annuities. Issued by life offices, temporary annuities allow you to spread a sum of capital over a fixed period, usually nine years. You pay a lump sum to the life office, which agrees to pay you a fixed sum for each of the nine years. The office keeps the money if you die before the annuity expires. These offer you the highest income in relation to the money you pay in of any product, because unlike most of the other investments covered here, they repay capital.

Rates offered vary depending on your chances of surviving the full term of the annuity – the older you are, the more you will be paid. Life offices guarantee payments, which means that the investment revolves around gilts. If the gilts market is strong at the time you start your investment, you should get better value.

The best buy at present, according to Baronworth Investment Services, assuming a down payment of £10,000 by a 70-year-old man, is £2,096 per year, over nine years, by Sun Alliance.

■ Immediate annuities: The other classic income-producing vehicle from life offices. In this case, the office promises to pay you a sum each year until you die. If you die soon after the investment is made, the insurers keep the money.

Annuities are thus a disquieting investment, as you are effectively taking a bet on how long you will live. You get better value the older you become. At 75, they should be good value, and at 80, they are excellent.

Baronworth's best buy, on the same assumptions as for a temporary annuity, is £1,570.40, from Co-op Insurance.

■ Unit trusts: The sector to aim for is UK Income. Fund managers invest in high-yielding companies – those which they expect to pay out a high dividend in relation to their share price.

If the managers get it right, the trusts will make large income pay-outs each year, while their capital value improves. However, the tax position is not to good, as basic rate tax will be deducted. You can reclaim it if you are a non-taxpayer, but this takes time and effort. A typical net return at present is around 5.5 per cent, according to Julia Whittle of Chase De Vere. Good financial advisers should be able to set up a unit trust income plan, investing in several trusts, timed so that you would receive a monthly income.

Although designed to maximise income, income trusts regularly come near the top of performance tables for growth, provided you re-invest the income each year. Thus they are a hard investment to fault – if you find you do not need the income, it should be easy to plough it back into the trust and store up extra growth for the future. Historically good performers in this sector include Capel Income, Key Income and Capability Income.

■ Investment trusts: The new "split-capital" investment trusts cater for investors with specific needs. The mechanics behind them are complex, but the upshot for the investor is that some shares – zeros – pay no dividend at all, while people holding other shares – known as income shares – receive all of the distribution. This makes for a hefty regular income.

The capital value of income shares dwindles as trusts move towards their expiry date, but this form of investment has much to recommend it. There is also much interest in these trusts from companies, with offerings coming recently from Gartmore and Kleinwort Benson.

■ Gilts, or UK government bonds, can make sense for providing an income in certain circumstances. They are tax-efficient if you pay capital gains tax and can also be bought very cheaply, via the National Savings Stock Register. You only need to fill in a form from the post office.

However, they are not very interesting for taxpayers, as income tax must be paid at your highest marginal rate. If you do not pay tax, however, you might be tempted – little can go wrong with gilts and they do offer the possibility of capital growth.

■ International bonds. The argument in favour of international bonds is that most foreign bonds look slightly better than UK gilts at present. The problem is that buying international bonds is more expensive, hence you have to pay more charges.

International bond unit trusts, of which many have been launched this year, can help, although you may dislike the front end fee, which is sometimes as high as 6 per cent. Real yields (accounting for inflation) should be higher than on UK gilts, if you can handle the administration charges.

■ Guaranteed income bonds: A form of investment which has come into vogue recently, mainly thanks to falling interest rates. GIBs are offered mostly by small life companies, with growth, and income payments, guaranteed from the outset.

Terms from one to five years are available. GIBs are not good value for non-taxpayers, as they are paid net of basic rate tax. Also note that in general, you receive better value the more money you invest at the outset.

"Best buys" over each term from one to five years are published each week in the Best Rates for your Money table in the *Weekend FT*. It is important to shop around for the best rates, so independent advisers score heavily. The two which are most energetic in selling GIBs are Baronworth, based in Ilford, Essex, and Chase De Vere, based in London. Both track the rates on offer regularly.

The best rate at present is 9.65 per cent over five years from Providence Capitol (if you invest £25,000 or more). If you only invest £1,000 you can still receive 8.60 per cent over three or four years from Premium Life.

■ Personal Equity Plans: Not all Peps are ideal for income. For many investors, their greatest attraction is the freedom they give you to re-invest dividends free of income tax, allowing fast growth.

However, some Peps have been specifically designed to provide a high yield, by investing in high-yielding blue chip companies and income shares of investment trusts. Those suggested by Chase De Vere include Fleming High Income and Framlington High Income. They currently offer a yield of around 7.7 per cent.

■ Single Premium Insurance Bonds: These come in different forms from numerous life offices. They can be used as income-producers, because you can withdraw 5 per cent of the original value of your investment each year, free of tax. However, it is as well to choose an insurance company with a good investment performance.

As with all life assurance-derived products, charges can be steep. Some are unit-linked, and others "with-profits" – not all offices can offer both. Unit-linked bonds should offer better performance in the long term.

Bonds have more flexibility than most insurance products, as they can be encashed in full or in part at any time (although you should watch out for the bid/offer spread). *Make sure you get a rebate on* commission, as you can from most good advisers.

■ National Savings Income Bonds: An ultra-cautious but sensible investment, if you do not pay tax. Income bonds will from next week offer 11 per cent gross, but only 8.25 per cent net. They are thus quite easily bettered if you pay tax.

Minimum investment is £2,000, with a maximum of £25,000. Withdrawals of capital, and new investments, must be in multiples of £1,000. Monthly interest is paid into your bank account, providing a steady supplement to income. Capital values will stay constant in nominal terms, although they will be eroded by inflation. You must give three months' notice before withdrawing capital, which must also be done in multiples of £1,000.

Calculating the cost of a gift

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

I HAVE a portfolio of shares which at 1982 values was worth £75,000. I want to make a lifetime gift to my children and hope to survive seven years. Is there CGT liability in making this gift on the assumption that the portfolio has matched the FT index in performance over the period?

■ There will be no tax liability if broadly speaking:

(a) *the market value of each* shareholding on the day of the gift (on the quarter-up basis) does not exceed its March 31 1982 value by more than the rise in the RPI from March 1982. This was 168.0 per cent.

(b) Your portfolio does not include:

i) shares in companies which have at any time been non-qualifying offshore funds;

ii) qualifying corporate bonds received in exchange for shares;

iii) deep-gain or deep-discount securities.

If some shares have beaten the RPI but others have lagged behind it (something which you will not, of course, know precisely until some weeks after the gift), then the offsetting of allowable losses against chargeable gains will be restricted. Broadly speaking, losses on shares given to one of your children can only be set against gains on shares given to that particular child. Ask your tax office for the free pamphlets CGT14 (Capital gains tax: an introduction) and CGT16 (*indexation allowance:* disposals after 5 April 1988).

Portfolio in probate

I MANAGE a portfolio of equities, some in my wife's name, some my own for tax reasons. I am leaving instructions that on my death the entire portfolio is to be sold and the proceeds used as soon as possible to buy an annuity. The problem is that this takes time and the income is essential to make mortgage payments.

The executor (a solicitor) should have no problem selling my wife's shares, but:

1) would he need to wait for probate to sell mine?

2) if so (my will simply leaves my estate to my wife) how long should probate take?

3) in the case of other securities such as gilts in my name, do they have to be transferred to my wife's name before she can receive the dividends?

4) is there anything else I can do to help matters without incurring a tax penalty now?

■ It seems clear from what you say that the whole of the income from the shares in your wife's name is taxable as part of your own income, under section 674A of the Income and Corporation Taxes Act 1988.

It seems likely that the capital gains arising on disposals of shares in her name fall to be treated as your own gains (although the CGT legislation is not as clear as section 674A of the Taxes Act). There may therefore be little or no point in continuing to register shares in your wife's name, in the circumstances which you outline.

The answers to your questions, briefly:

1) Not necessarily, but he might prefer to do so.

2) Only a few weeks, if *everything is straightforward.*

3) The interest paid to the executor will be paid over to your wife, as part of the final distribution of your estate.

4) We suggest that you talk things over with the solicitor concerned, including section 674A of the Taxes Act 1988. You may like to ask your tax office for the free pamphlet IR45 (income tax, capital gains tax and inheritance tax: what happened when someone dies).

Correction

The last paragraph in the answer to the question headed 'Transfer of Shares' in Q&A on August 24, should have read, "If the distribution took place before April 6 1988, your wife is probably entitled to have half the held over gain ignored, by virtue of schedule 9 to the Finance Act 1988."

Tough rules on director plans

***Dryden Gilling-Smith** looks at alterations to self-administered pension schemes*

PROPERTY HAS for many years been a popular investment for the trustees of small self-administered pension schemes.

Those directors who are trustees of their own SSASs (often called director plans) and who plan to buy their own business premises should take note of the Inland Revenue regulations which came into effect on August 5. The new rules govern a scheme's ability to raise mortgage finance and an embargo on transactions with members.

A director might, for example, own business premises, which he currently leases to his company. He could plan to sell these premises to the pension scheme and use the proceeds to increase his company's share capital. When he retires and takes his tax-free lump sum from the pension scheme, he could buy the property back.

This option is now off the menu. At one stage the Revenue draft regulations would have prevented schemes selling existing properties back to director members or their families: It was pointed out that in some cases it might be extremely difficult to find buyers. The Revenue therefore agreed to keep the rules for investments made before July 15. A scheme can sell its shop, office, warehouse or farmland to an individual director/member at an arm's length price based on an independent professional valuation.

The Revenue says the rules will be applied rigorously. Anyone who attempts to get around the embargo by finding a third party who would buy from the trustees and sell on to the member, will be caught by the words "directly or indirectly". In practice, the third party would have to hold the investment for a minimum of three years before selling it.

While the regulations may seem strict in some respects, they will not adversely affect the majority of normal property investments by SSAS director/trustees. It is important to differentiate the property investment opportunities of large pension schemes and the SSAS. Large schemes, insurance companies, etc, have tended in recent years to pull out of the small rows of shops and office units on the grounds that they are more labour intensive to administer and maintain than large city centre blocks.

In contrast, the directors of a company which has built up a small local chain of retail shops, will usually have a shrewder judgment of the potential value of each site, than the sort of employee who would handle this level of transaction in a big property fund.

The company, as tenants, will have every interest to keep the premises in tip-top condition and to pay proper rent (the Revenue insists on this in any case) because the money is all going into the directors' pension pot.

Director/trustees planning new property investments must also bear in mind the draft regulations of the Department of Social Security, which are designed for member protection. "Self-investment" in property used in the employer's business will require all the members to be trustees and a unanimous resolution signed by all the trustees before all future purchases of this kind can be made.

Director/trustees are not too worried about short-term fluctuations in property values, but more with their strategic long term objectives.

Some companies, particularly family companies, have enough young directors in the scheme to ensure that there is always enough liquidity to pay out the benefits of the older directors when they retire, without having to sell the property. In other cases, directors take the view that if their business should go bust, their most valuable asset, their premises, is beyond the reach of creditors.

Other businesses may be being built up with a view to sale when the market is right. If the company buys the properties directly, so that capital gains are reflected in the share price, the director/owners would pay capital gains tax. However, if on takeover, the SSAS sells the premises to the organisation that buys the company, the directors will enjoy the tax-free gain in the form of better retirement benefits.

For these and many other reasons, SSASs have enjoyed much better returns on their property investments than pension schemes as a whole. Such "special situation" property investments are therefore likely to remain popular with SSAS trustees, even though those that are now being forced to sell may wish they had pulled out two or three years ago.

Another difference from a large pension fund is the virtual embargo that the Revenue has placed for some years on SSASs investing in residential property, regardless of its investment merits. The Revenue has taken the view that residential property offers scope for the provision of benefits-in-kind to directors.

While this might simply be a matter of prohibiting investment in villas in such places as Provence or the Algarve, the Revenue has taken the view that they do not have the resources to police the way in which vast numbers of small properties are being occupied. They have therefore tended to take a hard line, but this has caused problems where small flats form part of a block of shops or offices, and there has been a lot of argument on individual cases.

The new regulations on this point are an improvement. They allow an exception to the embargo on residential property where either an unconnected employee is required to occupy residential premises as a condition of employment – eg a caretaker – or where someone unrelated to the director/member, or other "connected persons", rent the premises as part of a package deal with the business premises. Thus, the trustees can buy a shop with an integral flat and grant the combined tenancy to a shopkeeper, or put in their own manager who can have the flat to go with the job, even though there is no legal requirement that he should occupy it in the capacity as caretaker.

■ *Dryden Gilling-Smith is managing director of Employee Benefit Services.*

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Shares	Value	No of directors
SALES			
Blick	60,000	157	1
C E Heath	168,115	773	1*
Flem. Fledgling Tst.	5,000	11	1
Kleinwort Benson	79,911	248	1
Lloyds Bank	3,524	14	1
M & G	2,000	11	1
Shoprite	85,000	308	2
Waddington	10,000	20	1
Wescot	260,571	96	1
PURCHASES			
ADT	300,000	$2,538	1
Grainger Trust	10,000	10	1
Murray Enterprise	30,000	14	1
UMECO	30,000	14	2
Wheway	525,000	137	3

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 27-30 August 1991.

Source: Directus Ltd, Edinburgh

Directors' Transactions

Engineering finds favour

DIRECTOR transactions in August were lower than normal due to the holiday period. However, despite new highs in the market, buys outweighed sells by 2.5 to 1.

Director buying has been largest in the engineering sector with directors of small companies also having a *strong appetite for their own* stock.

ADT is often quoted as the perfect example of where watching directors transactions works. Michael Ashcroft, the chairman and chief executive sold the equivalent of 1.1m shares in August last year to the Canada-based Laidlaw Group raising approximately £20m. Since then the shares have plummeted and now stand at less than a quarter of their high.

Having sold out virtually all of his holding at the top Ashcroft has been buying over the last few weeks with this recent purchase an indication of the size he is prepared to invest.

Shoprite, based in the Isle of Man, is expanding rapidly in the discount supermarket business in Scotland. Directors were buying in considerable size in 1990 at prices as low as 109p, the share price has risen sharply subsequently with these recent sales being made at 39p.

The recent rights issue in Wheway was only 56 per cent taken up by the shareholders. Directors invested a considerable quantity of cash in new shares at that time and increased their holdings last week. One of the directors sold 400,000 shares at 132p last year, with this recent transaction the only director deals since then.

Angus Macdonald
Directus Ltd

MINDING YOUR OWN BUSINESS

Uneasy rider at the crossroads

Paul Cheeseright visits a company which customises motorbikes

NO 150 per cent pay rises for Alan Smith. He draws £150 a week from Nottingham Custom Cycles, the company he started formally with Timothy Lee, his partner, in January 1986. They rode off into an uncertain future with a Barclays overdraft of £1,000, a welding machine worth roughly the same amount and a government enterprise allowance of £40 a week.

Custom Cycles is a hobby which went commercial. Smith used to fix up his own motorcycle and the motorcycles of his friends in a room at the back of a pub.

"We got busier and busier. Why not make a business out of it?" he said. Now Custom Cycles takes production motorcycles and rebuilds them to the specifications of the owner; it makes the parts which turn production models into individual machines.

In the year to April 1990, Custom Cycles made pretax profits of £16,000 on a turnover of £63,000. In the last financial year turnover rose to £80,000, but profits will turn out lower than 1989-90, despite hefty price rises, because of reinvestment in the business.

To bring the business up to this level, Smith has had help from three quarters. First, there was Barclays Bank which in earlier, easier credit days was prepared to back him. Second, there was *Back Street Heroes* magazine which put the company into contact with a wider riding public: an early advertisement produced dramatic results – "we were shocked by the response, it (the business) took off from there." Third, there was the Nottinghamshire County Council: when Custom Cycles outgrew its first 425 square feet premises the council provided a £6,000 loan to help a move to larger premises and a rent grant for the first year.

These premises are on two storeys in a back street of north Nottingham and they cost £4,500 a year, plus the uniform business rate of about £800. But Custom Cycles – that is Smith, his wife, his brother, two men on employment training and one employee – does most of its work in and around the orderly jumble of bike parts on the ground floor. Lee is seen less these days; he has health problems.

But whether Custom Cycles can stay where it is, or can remain in the same line of business, is difficult to predict. In spite of a dire spell of business before and after last Christmas, this uncertainty is less to do with recession than the nature of the choices Smith will have to make.

The background problem is one that he can do little about directly. The European Community plans new motorcycle regulations which, in their proposed form, could make illegal the sort of customised bikes and parts that are Custom Cycles' very reason for its existence. "Customers are saying: 'will I be able to ride this after 1993?'" Smith said.

But there are other immediate questions to be answered if Custom Cycles is to grow. Smith has gone as far as he can with the business in its present form. "What we could do with is a big cash injection to expand," he acknowledged. But that begs the question of the nature of the expansion.

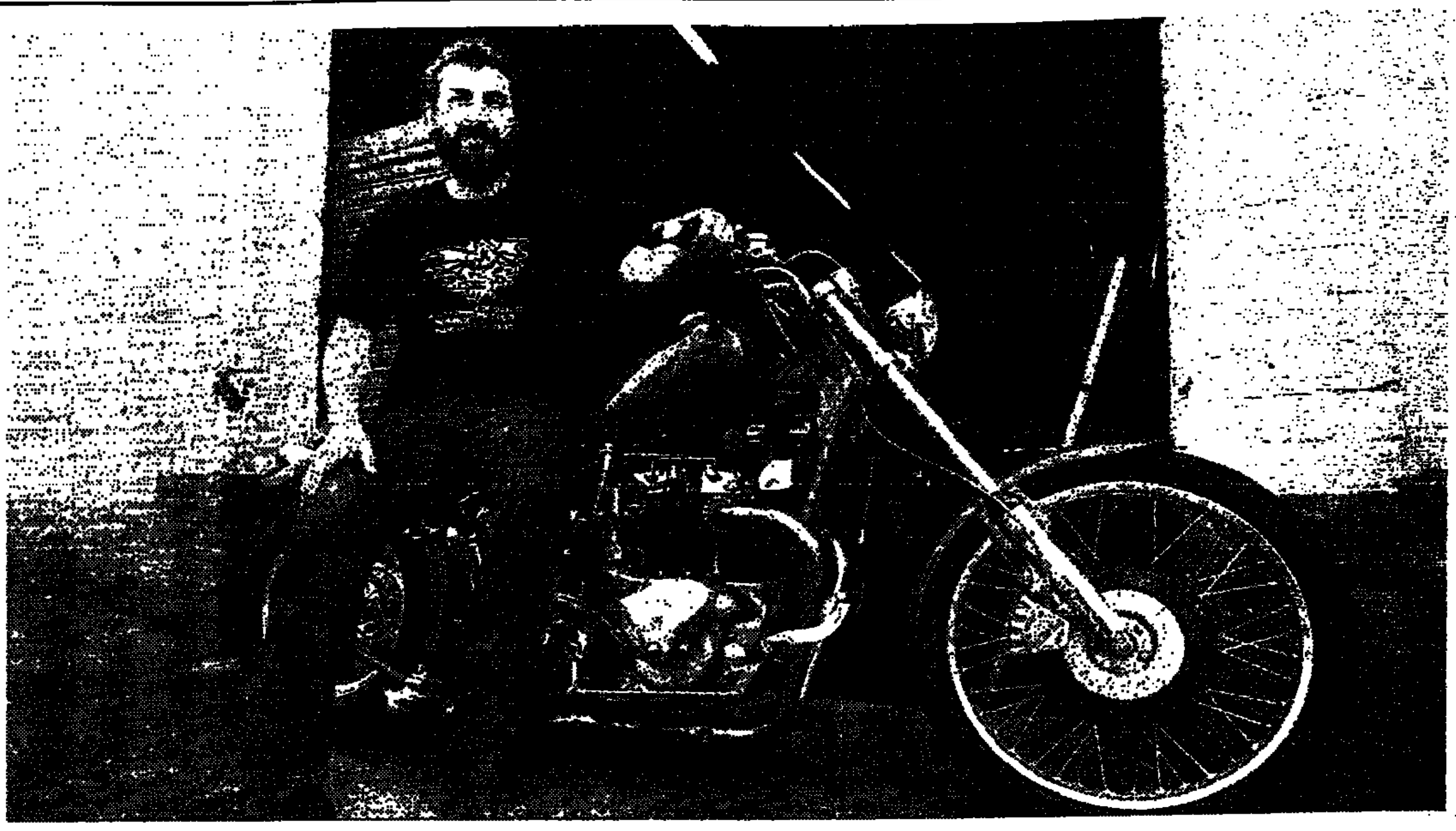
There is, for example, opportunity for a shop at the Custom Cycles works – "we have the space but not the stock", and no desire to borrow, even if that were possible, to obtain it. Greater benefit, too, could be obtained from manufacturing the special parts. The business now is, as Smith put it, "one-off stuff"; it would make sense instead of making one, to make 10, "but there's never enough time to sort it out."

Herein lies the further problem: that Smith, as he admits, is running to stand still. "It's hard to find time to sit down and plan the business properly. I'm doing it when I'm half-asleep," he confessed. The solution is to train people who can do his technical work, leaving him time to develop the business. But there is no quick fix. "My brother is almost there now. He's almost taken the place of Timothy Lee. But it will need another two or three years for the ET guys."

The decisions, though, will not wait. Custom Cycles is in the last year of its lease. If it decides to stay it could rent out the upper storey to a complementary business to cut overheads. Ideally, it would like to buy the premises.This depends on the bank manager: 18 months ago Barclays said it would back Custom Cycles to buy the premises. Now there is a different manager who Smith does not know.

Beyond that the banks are stricter on finance, as Custom Cycles found nine months ago when it stepped across its overdraft limit of £4,000. Smith would like a more generous limit but cannot provide the security required by the bank. Not only does he want a capital injection, he would also like more elastic financial limits. It is not surprising then that he cannot yet afford to buy his own home.

■ *Nottingham Custom Cycles, 4A Patterson Rd, Radford, Nottingham NG7 6AF. Tel: 0602-782871.*



Fighting the law: proposed EC legislation could make the motorbikes Alan Smith produces illegal

Bank managers suffer, too

THE relationship between small businesses and their banks can grow strained in a recession. *Jane Bradford*, head of National Westminster's Small Business Service, puts the bank's point of view.

HOW LONG will the bank support me through the recession? This is a question in the minds of many entrepreneurs as the recession bites, with an upturn still some way off.

To answer the question there are three main points to consider; first, the impact of the recession on small businesses, second, the effect on lending risk and yield, and third, the knock-on in terms of the withdrawal of loan facilities.

The recession has had a severe effect on small businesses but we have set this in the context of the market place as a whole. The number of businesses has increased from some 2.5m to 3m since 1984 – the year of the last peak of bankruptcies and liquidations. While financial failures (as measured by bankruptcies and liquidations) are at record levels they still represent less than 2 per cent of the total business market.

Furthermore, there is a traditionally high birth and death rate. Some 500,000 businesses started and 450,000 businesses left the market in both 1989 and 1990. One in three new businesses will cease trading within three years – the percentage of those withdrawing from business has varied little from good years to bad.

A recession increases risk for all those in business – banks included. In recent months, banks have taken on an even higher degree of small business risk as the level of bank loans to owners' equity has increased.

In many cases the bank has invested in the business than the owner, leaving only a small margin for error when problems arise. This has been an important feature in the level of bad debt provision reported by banks in recent weeks.

The recession has not respected age, size or nature of business, although the effects have varied widely between individual businesses; some report trading to be good in the same sector and even the same locality where others are struggling.

Against this background, banks have been faced with the dilemma of whether to reduce risk by withdrawing support from more marginal businesses or to compensate by seeking a higher return. NatWest decided to maintain its support for small businesses rather than withdrawing it, but the bank had to increase its margin on the money leant to reflect the increased risk. However, on average, the margins charged by banks were nowhere near as high as those reported in some press comment.

The Chancellor confirmed this in his investigations, revealing that the average interest margin for small businesses overall is 2.5-3.5 per cent (3.5-4.5 per cent for the smallest companies) with base rate reductions passed on directly in the majority of instances. In the 25 per cent of cases where the bank has increased margins the typical 0.5 per cent rise represents a modest additional cost of £75 a year on NatWest's average loan of £15,000This will be more than offset by the 4 per cent fall in base rates which has brought a saving of £600 a year in interest rates.

Small businesses are experiencing a savage downturn in trading conditions, resulting in curtailed profit and cash flows. However, the decision to call in overdrafts and loans is never taken lightly particularly, as for most small firms, it is family assets which are at risk. NatWest increased its lending to small businesses by £1.5bn in the year to March, a 20 per cent rise mainly to provide additional working capital.

Inevitably, some loans and overdrafts will be called in. It makes no sense to anyone for support to be extended beyond the point of no return. But it is tragic if a business fails through lack of communication and it is essential to keep the bank closely advised of trading performance, particularly so that problems can be anticipated and corrective action taken.

Nevertheless, banks have a strong interest in the financial well-being of their small business customers. In providing banking services nationally through a retail network of 2,900 branches, NatWest needs a stock of business customers to run its own business effectively. Therefore, the bank has an interest in its customers' success, and failure is seen as a very sad waste of resources for all concerned.

The recession has been tough going for customer and bank manager alike, but NatWest has supported small businesses wherever possible. It remains firmly committed to the small business sector and continues to look for fresh opportunities. Growth with quality is our objective. In the short term this has meant taking on a greater degree of risk, as evidenced by the bank's high level of bad debt provision for small businesses. That said, the lesson of the recession and the small business debate is a need for greater two-way communication between bank and customer.

FOOD & DRINK

When the bubble had to burst

***Edmund Penning-Rowsell** asks if Champagne is too pricy*

SUDDENLY, the Champagne region has lost some of its fizz. In the 1980s nothing, it seemed, could go wrong. Between 1980 and 1989 sales rose by 43 per cent and exports by 68 per cent. Exports to the UK – its leading market – rose by 170 per cent.

But the restricted area in which grapes for Champagne may be grown was almost all planted by 1989. Since supply was limited, prices tended to rise.

However, in the last 18 months the climate around the Marne has become unsettled. In March last year the arrangement by which growers sell a high proportion of their crop to a syndicate of Champagne makers failed to be agreed.

The growers would offer only 42 per cent of the crop to the syndicate, largely because they expected higher prices for the balance. So the syndicate cancelled the agreement altogether. Last year the Champagne makers tried to restrict the rise in grape prices by recommending a price of FFr32 per kilo for the top districts (20 per cent higher than in the previous year) and agreeing that their purchases should not exceed the quantity of grapes used to produce the previous year's sale of the wine.

The recommended price was frequently exceeded by bonuses that added another FFr3 or FFr4 a kilo. What had been forecast as a short vintage after frost turned out to be the third biggest in Champagne's history. In spite of the rise in prices all the harvest was sold. Another uncertainty was brought about by the purchase in December of Pommery and Lanson by the LVMH group which already included four champagne houses, headed by Moet & Chandon and Veuve Clicquot – a re-organisation completed in March by the resale of Lanson, less its vineyards, to the big own-label champagne company of Marne et Champagne and Allied-Lyons, long keen to secure at least a foot in the Champagne door.

Rival Champagne producers and growers have not been at all happy about a consortium that sold almost one in every four bottles of champagne and whose ultimate financial control was outside the region.

Then came the unexpected steep drop in sales in the second half of last year: a fall of 6 per cent, with exports down 10 per cent. But worse was to come this year. For the first three months sales in France were 21 per cent down, and abroad 29 per cent. UK imports were almost halved. This was partly attributed to the Gulf War, but this seemed not all that direct an influence in Switzerland, Australia and New Zealand where similar drops occurred.

The figures for the half year to June were not much better: down 18 per cent overall, with domestic sales down 14 per cent and exports 25.5 per cent. The UK drop was 45 per cent although narrowly it still tops the export list, a little ahead of Germany, which has registered the smallest fall – under 4.5 per cent.

The reasons for the drop in Britain's extraordinary record of champagne consumption are debatable, but the most popular thesis is that it has become too expensive, reflecting a cumulative rise of almost 50 per cent in grape prices during the last three years.

Early this year, and even before, *grande marque* consumers were alarmed by talk of a £20-a-bottle price. This may now apply to champagnes considered exceptional, such as Bollinger and Roederer, but the non-vintage wines of such reliable houses as Deutz, Alfred Gratien, Charles Heidsieck, Lanson, Joseph Perrier and Laurent Perrier, to name a few, can still be found well below £20.

By far the biggest brand seller in the UK is Moet & Chandon, selling around 20 per cent of the total: 4.3m bottles last year, yet 300,000 fewer than in 1989. Since January 1990 Moet has raised its price by 39 per cent in three stages, although it absorbed the 1990 rise in VAT and Excise duty. After inflation, this represents a real increase of 16 per cent. The shelf price of Moet Brut Imperial N.V. is now reckoned to be between £17.79 and £17.99.

The main reasons why some other supermarket champagnes are much lower in price is that they buy cheaper, less fine grapes and the second pressings, and they market their wines well before three years in bottle: the minimum considered vital to maintain the quality of champagne. The legal minimum is one year.

GLYN GOODWIN

With sales so sharply down, might cheaper grapes be expected in the coming vintage? Almost certainly not, although they are highly unlikely to cost more. Merchants are still thirsty for grapes, the big groups are not averse to squeezing the smaller houses, and since the breakdown of the contract system, more intimate relations have been formed between merchants and growers that they would not want to lose too quickly. Further, any cut in prices that might continue or extend over one or two years would lead to stock revaluations, running in many cases to millions of bottles. But a continued sales decline might affect grape prices next year.

A herb addict's true story

Philippa Davenport sings the praises of ever more popular coriander

CORIANDER the herb is beginning to appear in this column as regularly as fennel. Like fennel I find it addictive. The first time I came across it I did not care for it much but it is one of those tastes that creeps up on you.

Scrooge-like amounts are neccessary until you get used to the strange and distinctive, but undefinable, taste of its vibrant green leaves (a fresh aromatic sourness is as close as I can get). Then the appetite for it grows, and you find you cannot do without it.

I do not think coriander is truly addictive, in the clinical sense of a drug like nutmeg, and it is not the sort of flavouring you would want to add to everything, but it does seem to enhance many foods particularly well. Fish, chicken, eggs and vegetables are notable examples. This list, tying in as it does with today's trend for less red meat in the diet, makes coriander a natural favourite for the 1990s.

Coriander is crucial to cooking in many parts of the world, as common to other cuisines as parsley is to ours, and it is used in those countries far more frequently and more lavishly than we use parsley.

Chinese and south-east Asian cooks, for example, team coriander with ginger and garlic to great effect. In India it is scattered coolly over such things as *raita*, mangoes and *dahl*, and it forms the basis of a wonderful fresh green chutney. In Mexico and Latin America coriander is as basic as chilli peppers, beans, avocados and maize.

In Europe only the Portuguese have a long tradition of cooking with coriander, a prized ingredient ever since spice traders brought it back from the east in the 15th century.

Coriander is important to the character of the recipe which follows, a *caldeirada* or fish stew. The Portuguese love this sort of dish and make it using whatever they catch, from eels to sardines, and salt cod too. In celebration of the fact that there is an R in the month and wild mussels are back on sale, I suggest using a mixture of molluscs, white fish and squid.

Potatoes are often included in *caldeirada* or the stew is ladled out on to thick slices of toasted or fried bread for serving. Red peppers are another popular ingredient, lending colour as well as flavour to the dish, and they make a particularly good choice at this time of year. The addition of *aïöli*, although not authentic, provides a rich finishing touch.

A robust and simple fish stew of this sort is high on my list of favourite foods for informal entertaining. It is true that a fair amount of preparatory work is involved but the preparations can be done well ahead. The cooking itself is neither lengthy nor complicated.

A first course is unnecessary before such a substantial dish. All that needs to precede it is some sort of *bonne bouche* to nibble with pre-dinner drinks - something like *bruschetta*, prosciutto-wrapped *grissini*, *dukka*, slices of salami and a dish of olives or freshly salted almonds.

Follow the stew simply with salad and cheese, and something small, fresh, fruity and light, rather than a rich sweet. A damson ice, figs with raspberry purée, poached pears or a compôte of mangoes and pomegranates would do very well.

PORTUGUESE FISH STEW

(serves 6)

3 lb mussels; 2 lb small squid; 2 lb fillet of hake, haddock or cod; 3 red peppers; 2 onions; ¾pt fish stock; 8 fl oz white wine; a little olive oil; 1 garlic clove; 1 bay leaf; a large bunch of coriander; ½pt not too garlicky aïöli (optional); 6 thick slices of stale bread, toasted or fried (optional).

The preparations that can be done ahead are as follows. Make the *aïöli* and a good fish stock. Scrub the mussels and put them into a bucket of heavily salted water (adding, maybe, a spoonful of oatmeal or maize meal for the molluscs to feed on). Clean the squid, slice the body sacs into thin rings and cut the tentacles into short lengths if long. Check the fish for bones then cut the fillets into 2 inch chunks - leave the skin *on* as it helps to hold the fish together as it cooks. De-seed and chop the peppers. Cut *the onions into chunks. Chop the garlic finely* and snip at least 8 tablespoons of coriander leaves.

When ready to cook heat 2 or 3 tablespoons of olive oil in a stewpan and fry the peppers and onions for about 4 minutes over fairly high heat. Add the stock, wine, garlic, bay leaf, some salt and pepper and simmer gently without a lid for 10 minutes.

While the vegetables are cooking, open the mussels, shaking them over high heat in a separate tightly-lidded pan containing a splash of water.

Add the chunks of fish to the stewpan, cover and poach over the lowest possible heat for 4-5 minutes. Meanwhile discard any mussels that have not opened and half-shell the rest.

Strain the mussel liquor. Add it to the stewpan together with the squid and coriander leaves. Cook for a minute or so more, taking great care to keep the heat minimal or the squid may turn into albino rubber bands.

Away from the heat, stir in 2-3 tablespoons of *aïöli* and check seasoning. Ladle the stew into a hot casserole for bringing to table, adding some of the mussels after each ladleful. Serve in deep soup plates, each one lined with a thick slice of toasted or fried bread, and hand round the remaining *aïöli* in a small bowl.

Leftovers, should there be any, can be thinned down with more stock to make a soup next day.

Flavour in a grey land

***Giles MacDonogh** tries the food in east Germany and finds the Italians want a slice of the action*

THE SMALL but unspoilt town of Wernigerode lies just over the old border between what used to be West and East Germany. For years its rarity value as one of the DDR's few pretty towns made it a Mecca for East German tourists. With four or five old-fashioned hotels and the usual bars and cafés it could just about manage: almost all of Wernigerode's eating places shut up shop when the tourists lumbered back to their buses and trundled back to Magdeburg, Leipzig or East Berlin.

Seven months after unification only two of Wernigerode's hotels are still open. As in other parts of east Germany, disputes over property ownership have led to a decline in tourist facilities at the very moment when they are required to deal with a flood of new visitors from the west.

You may be lucky to find a bed at the Hotel zur Post or the Weisser Hirsch but I cannot promise a bundle of laughs. It was, however, in Wernigerode that I heard a story which could become emblematic of life in what the Germans refer to as the *Neue Lände*.

Just by the cute, old town hall is the Café Wien. It has been a *Konditorei* (café) for a century or more. In 1936 it became the property of the Siegemunde family who kept it going throughout the war years until it was nationalised in 1951. After unification last year, the Siegemundes got their café back. Once again they are making the best cakes in Wernigerode.

There may be parallels to the Siegemunde story in other parts of east Germany, but they do not leap at you. As far as hotels and restaurants are concerned, those which used to be run by the state or the trades unions exist in a kind of limbo: some have closed, others await news of their new ownership.

In general the *Ostdeutscher's* reaction to unification has been small-scale consolidation. The man in the street sees the 41 years of the DDR as a time when he was denied the pleasures available to his cousins in the west.

Now he too can enjoy oranges, just as he can obtain cable television, cars and video tapes. Developments in the food business have been small scale: mobile sausage stalls; a microwave or a chipper for the pub; there is not much spirit of adventure. Sadly, most of the entrepreneurial brains left long ago for the west.

Where change has occurred it has often been the Italians who have been the quickest to see the potential of this new market. The Italians have been the only outsiders to obtain a site in the centre of Berlin. In Leipzig a mysterious "Guiseppe" is now serving "real Italian food" in the Bistro am Brühl. Even in one of the east's most tragically gloomy cities, Nordhausen, where only one shabby 1960s hotel remains open, a pizza-ristorante is opening next to the derelict Stadt Terrasse.

Tourism was never the DDR's forte; the rare cultural event in an east German town stretched hotels to beyond their capacity. I discovered this myself in Halle when I arrived at the same time as the Handel competition. I was sorry about having to move on as Halle struck me as being one of the few east German cities to possess personality. There were also plenty of small shops cafes and bars.

The reverse side of the coin was possibly Magdeburg; a city knocked flat by the RAF on January 16 1945. In Magdeburg's all pervading gloom I found it hard to believe there would be anything to do in the evening; the Stalinist "Prag" restaurant had gone out of business at the time of reunification and I do not imagine that the Moskwa, in the Hotel Stadt Magdeburg, will retain its Russian sheen long after the state Inter Hotels have found a buyer.

But even in the wind-swept desolation of modern Magdeburg I was delighted to find a small corner of the old town still standing and there, in Breiter Strasse was a restaurant called "Savarin"; a tribute I imagined to the gastronomic writer Brillat-Savarin.

I pushed open the door. There was not a free table to be found, but the fierce proprietor made a place for me at the bar. I had a modest meal of potato cream soup; a pork Schnitzel with fresh, ivory white asparagus all moistened with good local beer. The "Savarin" story had to be similar to that of the Siegemundes. Slowly this slumbering corner of Europe's past must be staggering to its feet.

Eating out in France

A cool Basque jewel

CHEZ ONESIME is not a restaurant you will just stumble across. It is in the heart of the Pays Basque in the village of Donoztiri – or St Esteben to give its French name – near Hasparren and a fair distance from the tourist honeypots.

There is not much of note in the village – parish would be a more accurate term since it is so spread out – except the church and the *fronton* (pelota court). But if you are making the rounds of the Basque villages and hamlets that surround Hasparren, and autumn is a beautiful time to be there, the restaurant is worth a detour for its rich and carefully prepared food and pleasant atmosphere.

Jacques Salles is the chef and his Basque wife is the *maîtresse d'* in what was her family home.

Entering the cool, timbered dining room on a blisteringly hot Sunday lunchtime was a delightful experience. A pile of cookbooks dating back to the last century sits on a chest near the door. The walls are hung with china and old family photographs. Candlesticks and copper pots gleam in a lacy and flowery room which has care and attention written all over.

By French standards it is not cheap. Set menus are FFr130 (£13) and FFr230 and you could pay considerably more if you order from the *carte*. The wine list is Bordeaux-dominated but local *Irouléguy* and *Madiran* are offered along with a *vin de table* at FFr50. The food has freshness and quality.

The snag is in the limitations that the menu imposes. I am not against small menus, but when it is hard to avoid having *foie gras* in one form or another as a starter then that restricts one's other choices – particularly as you will almost certainly want the excellent meat or game as a main course. The lamb, especially – I assume it is local – is top-class.

Five fish dishes are offered. again all are quite rich. I would like to return and try the Zarzuella, a fish stew that is common to the region.

Cheese is interesting – small hot goats' cheese with a nut salad and the region's famous ewe's milk cheese, Brebis is served with a cherry confiture. The five desserts (roughly FFr40) manage to avoid gâteau Basque. The sorbet is particularly good.

Chez Onésime is accommodating with young children: a request for a simple salad and plainly grilled fish for our eight-year-old posed no problem.

■ *Chez Onésime 64640 Saint Esteben. Tel: 59.29.65.51.*

Jill James

Appetisers

WHILE good writers complain of the trouble they have getting their work published it seems that you only have to be able to boil an egg to get a cookery book printed. The list of Truly Awful food and wine books seems to be a recession-proof growth area. Nevertheless, there is gold among the dross for those who pick and choose.

For those who take a more historical and scholarly interest in food *The Englishman's Food, five centuries of English diet* by J.C. Drummond and Anne Wilbraham has been reprinted by Pimlico (paperback, £10). *First published in 1939 it is* an authoritative and readable survey of food foibles, agriculture, production and consumption.

Another reprint worth obtaining is the curious *First Principles of Good Cooking* by Lady Llanover, first published in 1867 (£12.95 Brefi Press). This Victorian book on Welsh cookery, written in English by its eccentric and wealthy authoress, has a necessary introduction/explanation by Bobby Freeman.

Two recipe books which may appeal (both are published at the end of this month) are Anna Del Conte's *Entertaining All'Italiana* (£15.99, Bantam Press) and *The Flavours of Andalucia* by Elisabeth Luard £14.99 Collins & Brown), beautifully illustrated by the writer.

Del Conte's book is particularly worthwhile. Its seasonal menus will be swooped on by givers of small dinner parties and there is an interesting chapter on historical menus.

■ ■ ■

At last an area in the British Isles that is celebrating its local produce. Swansea is launching a week-long cockle festival from Monday September 23. Local chefs will be cooking specialities throughout the week in the city's market.

Welsh cheeses and traditional Welsh foods will also be on sale.

As they say in Europe/**James Morgan**

The view from the provinces — and from Provence

IT IS not often that one returns from holiday to find that a superpower has ceased to exist. Last year it was only Kuwait that had disappeared from the map and that seemed likely to be temporary. But the USSR, communism, and all that has definitively had it. So commentaries in the European press have a certain sameness about them. There is little to be said in the face of events that speak so eloquently for themselves.

One has to look to the newspapers of the ex-Soviet Union for variety. Sometimes they are quite surprising. It was evident from the *Tashkentskaya Pravda* that many inhabitants of Uzbekistan wanted the coup against Mikhail Gorbachev to succeed. "Some expected from the Committee for the State of Emergency a restoration of the 'order' for which the six years of *perestroika* had given them such nostalgia; others blessed the formation of the Committee with the certainty that this time nationalist unrest would cease."

In Azerbaijan there were far fewer doubts. The daily *Khazhat*, of Baku, blessed the opportunity to gain independence and gave an unexpected view of the roots of the friction between Azerbaijan and Armenia. "The Kremlin provoked interminable conflict between the citizens of the two republics. Only a democratically elected Azeri power can lead the republic along the path of peace."

The view that the break-up of the Soviet Union will lead to greater ethnic harmony is a novel one. In western Europe it is achieving the reverse. Klaus Engelen, in *Handelsblatt*, noted official figures showing that Germany had provided 60 per cent of the aid given by the West so far to the Soviet union, while "G-7 Chairman Great Britain" had contributed 0.12 per cent.

"It is high time," he wrote, "That western support for the turbulent process of bringing the Soviet Union into the world economy and the community of democratic peoples became a common task which no country can avoid."

In the *Suddeutsche Zeitung*, Josef Joffe argued that the British – and the Americans and Japanese – had a point. After all Bonn was spending some $60bn (£35.7bn) for its own purposes – getting Soviet troops out of Germany. But "there is no point in throwing good money after bad when a bankrupt company has no sensible plan to clean itself up."

I quote Joffe not only to demonstrate that there is a diversity of opinion within each country, but also to show that this leading commentator is certainly not some ranting pan-German demagogue. This is necessary because last week Joffe contributed a comment to the *New York Times* which contained the now standard German diatribe against the Serbs.

He concluded: "Serbian imperialism gave us World War I." Such egregious bits of historical revisionism are going to become part of the European scene. In this case there is a consensus, based entirely on fact, that Austria, the imperial power, provoked the showdown with the Serbs in 1914 in full knowledge of the likely consequences. "Serb imperialism" consisted of not giving in.

I shall take a bet that some time in the next couple of years we shall be reading about "Polish aggression" in 1939. But in the meantime it is Gemany's friends who are coming in for criticism for failure to support the new official line.

The *Frankfurter Allgemeine Zeitung* wrote: "Even in Paris the Serbian President Milosevic was not contradicted, in spite of continuing atrocities against Croats and the destruction of their property, when he impudently announced that Serbia was only reacting to Croatian attacks."

■ ■ ■

Peter Mayle is a British writer who was once an advertising executive, then made a name for producing cartoon studies of the male organ, and now has earned a fortune from his books about living in southern France. *A Year in Provence* and *Toujours Provence* are best sellers in Britain and the US. They could, with some minor modifications, be titled "Toujours Islington."

Mayle will not allow them to be translated into French because he fears his new-found neighbours' reaction, according to *Le Figaro*. Its feature writer, Gilles Lambert, decided to read Mayle's oeuvres.

"Did you know," he asks, "That in the south of our country there exists a mysterious region, of twisted mountains, full of attractions and traps, whose customs, language, festivals and food consumption have escaped the ethnologists? A region where certain dogs are better paid than Chief Executives and where toads sing the Marseillaise?"

The sub-region, Lubéron, has become crowded with British coach parties, much to the annoyance of the English "caviar left" who have firmly settled the area.

The writer finds the books rather attractive but seems puzzled as to how anybody with so little knowledge of French could produce works "in which one reads surprise, incredulity, reproaches but also feels a real tenderness that the humour does not destroy."

Lambert concludes: "Peter Mayle maintains the British tradition of humour with hard tooth and a soft heart." He also says: "*A Year in Provence* is a lively catalogue of the surprises of an émigré snob."

■ *James Morgan is Economics Correspondent of the BBC World Service.*

BOOKS

Life before Sons and Lovers

***Anthony Curtis** muses on the Frieda/Lawrence affair*

AS EVERY schoolgirl knows, Lawrence and Frieda (wife of Professor Ernest Weekley of Nottingham) eloped. But did they? This new biography – the first to be written in the light of the complete Lawrence Letters also being published by Cambridge – enables us to reconstruct the precise sequence of events culminating in that famous Anglo-German union.

What happened was this. Lawrence met Frieda for the first time in March 1912. Lawrence was 26, Frieda older by six years, and mother of three children. He had recently established a reputation as a writer among the cognoscenti with *The White Peacock*. Ford Maddox Ford had picked up the manuscript of that novel from a heap of submissions, read it straight through, and, revealing his fine editorial flair, had told the author that, in spite of its many faults, he was a genius. In addition Lawrence had written poems, plays, short stories and was at work on another novel, all of them based on his experience as the breakaway son of a Nottinghamshire miner.

By now he had indeed completely broken away from that background. His mother had died in 1910, just in time, before she went, to be given his first book. Bert – as he was known in the family – had been a pupil teacher after which he had been a student at University College, Nottingham where Weekley was a professor. Lawrence then became a schoolmaster at a school in Croydon. While he was in that job he wrote in his spare time, and had a web of complicated relations with various women colleagues and former student friends from Nottingham, to one of whom, Louisa Burrows, he had become engaged. He then had a severe attack of pneumonia from which he nearly died.

It was in the period of convalescence from this illness that DHL the writer was formed. He never went back to teaching. He found a firm support for his career and a confidant in the selfless Edward Garnett. From the perspective of the Garnett's country house, the Cearne in southern England, Lawrence was able to see his life from a fresh angle: he began by breaking off his engagement to Louisa Burrows.

But he felt he had to do something while continuing to write his books and his thoughts turned to trying to become a *lektor* at a German university. Weekley in his youth had held just such a post and Lawrence applied to him for advice. He was invited to Sunday lunch in March 1912, the only time he ever met Weekley, and the first time he met Frieda.

D H LAWRENCE: THE EARLY YEARS 1885-1912
by John Worthen
Cambridge £25. 626 pages

Lawrence's former girlfriends, people like Jessie Chambers and Louisa Burrows, were, as John Worthen makes abundantly clear, remarkable young women, a heroic band of precursors of today's vast army of English feminists, but none of them could hold a candle, in Lawrence's eyes, to Frieda. This fearless conversationalist, exuberant daughter of a civil engineer in Metz, was something else. She had an air of great openness and personal freedom, an omnivorous appetite for literature and for people, particularly if they happened to be of the opposite gender. To Lawrence, trying to overcome his Midlands sexual hang-ups, she came as a Teutonic thunder-clap.

Unbeknown to her 47-year-old husband, an expert on etymology, Frieda had already had several lovers while bearing his three children. An affair between Lawrence and Frieda soon began in the wake of the lunch. Cautiously taking the posthumously published novel *Mr Noon* as a guide (where Gilbert and Johanna are their fictional counterparts) Worthen thinks it should "make us reflect on the probability that they did go to bed together very soon indeed". And, clearly, continued to do so. But they had to be careful – they would pursue their love-making on the maid's day off or away from Nottingham altogether. The ever-accommodating Garnetts provided a haven for them at the Cearne on one occasion.

When, then, did the great elopement occur? The point is, it never did. According to one of her friends, Frieda told her that she had "no intention whatsoever of leaving my husband and children and the comfortable and respectable life I knew to go off into certain social exile and most probable poverty." However, Frieda had to go to Germany for a family celebration; Lawrence was also going to Germany to see about the lektorship. While they were both there he hoped that "we could have at least one week together".

In the event that week turned into a lifetime. Lawrence wrote to Weekley confessing that he and Frieda were passionately in love. Weekley replied to the effect that if Frieda stayed with Lawrence she would never see her children again. After that a terrible kind of emotionally-blackmailing postal chess game ensued, with the children as the pawns. Frieda longed and pleaded for a compromise, but Lawrence's will proved, in the bitter end, to be the stronger. As honeymooning fugitives the couple went on a long trek from Germany to Gargano on Lake Garda to begin their exile in Italy.

Garnett met them there. He was on a tour with Harold Hobson – not the drama critic, another one, though the whole thing would make what the *Sunday Times* man used to call "a brullyant play". While Lawrence went bird-watching with Garnett, Frieda made love with Harold Hobson.

This is a superb biography. Apart from the compelling narrative there are judicious excursions into the mix of rurality and the mining industry that formed the background to Lawrence's start in life. There are portraits of the family members and their circle of friends, and insights into Lawrence's admiring bluestockings and into the less well-known early works that led up to *Sons and Lovers* with which this book ends. Two more volumes will complete the *Life*. They are being written by different authors, Mark Kinkead-Weekes and David Ellis, for publication over the next four years. Cambridge have already given us at last a decent edition of Lawrence's fiction; now they are embarked on what should be the definitive life.

A tough cookie reminisces

ME. The title cuts through all the nonsense, as Katharine Hepburn the actress used to do. The braying voice, anvil cheekbones, blinding teeth; the long-skirted swagger. Hepburn was a maelstrom of self-assertion in an industry where actresses, at the start of her screen career in 1932, were supposed to be swooning violets or telegraphic temptresses.

Before she arrived, no one could have imagined the cinema with her. Today no one could imagine it without her. As with all myths, the inconceivable became the indispensable. Now the Hepburn appearance is immortalised on a bookjacket: a tough kookie with a tough smile, hair gilded and akimbo in the sun. And the Hepburn voice – part buzz-saw, part yap – can be heard by the mind's ear all through *Me*: 400 pages of verbal carrying-on which make the reader conjure up an imaginary Spencer Tracy, reacting in sweet stupefaction before the goddess of gab as he used to in their comedies together.

She writes in the what-damn-thing-next mode and never-mind sentence structures. Oh goodness she has been talent-spotted by So-and-So. Off to Hollywood. Well now. So much money. And acting with Barrymore. Then the box-office poison period. Now for Heaven's sake. Can *you* understand it? Nor me. Loved L.B. Mayer, though. Had a grand time with Howard Hughes too. Yes, there was gossip. Never bothered me.

Then there was that car trip to Italy with Willie Rose the screenwriter to buy his Maserati. I think I'll write that as a playlet. Me: Where are we going, Willie? Willie: To Italy. Me: Why? Willie: To buy a Maserati. And so on.

Oh I almost forgot my parents. Here they are. Dad on the left. Mum on the right. Now you want me to tell you about Spencer? Well, you'll have to wait. I did. 33 years.

If any other film star had presented this stuff to us, we would have lobbed it into the nearest dumpster. It would have seemed cuteness masquerading as style. With Hepburn we know it reflects her rhythms of thinking because it reflects her rhythms of acting. In films like *Alice Adams*, *The Philadelphia Story* and *Adam's Rib* Hepburn howitzered the conventions of female stardom. Dialogue sounded not like demure cooing but like verbal shrapnel. In any given scene she was out beyond the front-line, blowing up all challenges, before her co-stars had even peeped above the trenches. Only artful slowness (Spencer Tracy's) or let's-pretend idiocy (Cary Grant in *Bringing Up Baby*) could outwit her frantic, conquering energy.

ME
by Katharine Hepburn
Viking £16.99. 418 pages

As she aged, Hepburn became a wiser actress and, if possible, a more beautiful one. Years of undimmed, and undammed, vivacity were disciplined into the hydro-electric wattage of *Long Day's Journey Into Night* or *The Lion In Winter*. And even in nonsense like *Rooster Cogburn* or *On Golden Pond* she was less a Hollywood pensioner entering the guest-role phase than a power-station on permanent standby.

Hepburn, above all, was a feminist before feminism. She never carried a banner for female emancipation, but she never needed to. She was in command of her life on screen and off, as she heedlessly chronicles here. Hounded from Hollywood in the 1930s by her "box-office poison" reputation, she promptly triumphed on Broadway in *The Philadelphia Story*. She bought the movie rights, dictated the cast and director, made the film, won an Oscar nomination and never looked back. That this Boadicea strength could exist within the same actress who played shy spinsters in *Summertime* and *The African Queen* is one of the imponderable marvels of life and art.

This is no longer a review, of course, but a fan letter. But then Katharine Hepburn is not just Katharine Hepburn. She is a cornerstone of popular cinema and a reason people love movies. We forgive her her title's *Me* because she was never just "Me" even to herself. Egocentricity in the talentless is an embarrassment. In the talented it is a pardonable grace-note in a symphony of achievement. You will just as easily find adagios of wise melancholy or scherzos of winning self-mockery.

More than anything in this book I loved the story of Hepburn's eye operation in Scotland. It is a tale of old age and medical terror. It is told like a farce and ends with the heroine weeping blood. But it encompasses, in one seemingly inconsequential yarn, all the frailty of human fame and the human frame.

Nigel Andrews

Katharine Hepburn: writes in the what-damn-thing-next mode

A Forth Bridge of the mind

THE STEEL frame of the London Library is among its many wonders. It is a monument to the spirit of the great Victorians who conceived and built it, a Forth Bridge of the mind, proud, confident, enduring and invincible. The most vivid image, for me, in John Wells's light hearted but informative history, *Rude Words*, is of Rose Macaulay after the air raid of 1944, swinging from the exposed girders like an acrobat, rescuing books from the twisted wreckage.

The engineers designed the gangways as grills so that daylight from the top windows could filter down; when lamps meant naked flames, this was a marvellous safety feature. The arrangement also produced another benefit, unforeseen when the Library was a male preserve – it gives members good opportunities for looking up the skirts of ladies doing research on the floor above. The sections of the library built more recently have therefore been fitted with floors of green opaque glass.

The air of serene permanence which the library usually exudes is an illusion. It has seldom been secure financially, and there have been innumerable delicious rows. Thomas Carlyle, the founder, had to exploit all his genius for indignation and irascibility to shame his friends into finding the money. He was determined that London, meaning himself, should have a library which would allow books to be taken home. He complained tirelessly at the the habit of writing comments in the margins of the books, while insisting on doing so himself.

Carlyle's wife Jane shared many of his qualities, roaming round the Library complaining incessantly. It was a mercy, one of their friends remarked, that they had married one another, for that way they had made two people unhappy instead of four. Gladstone, renowned for his success in saving candle ends at the Treasury, demanded to know the price of shelving. When told tenpence a foot, he asked if that included the top shelf which did not carry any books. In 1929, when a contented member bequeathed a whole country house to the Library for the benefit of the staff, the librarian sold it and swiped the money for general purposes; after the story came out he had to slink into his office each day by his private back door.

RUDE WORDS: A DISCURSIVE HISTORY OF THE LONDON LIBRARY
by John Wells
Macmillan £17.50. 240 pages

The nearest the Library came to closure was in 1957 when Westminster City Council presented a huge bill for rates on the grounds that it provided recreation to its members as well as pursuing literature. The day was only saved after T.S. Eliot wrote out a full manuscript copy of *The Waste Land* to be sold at auction.

John Wells captures the atmosphere of the place with enthusiasm, erudition, and his own impish humour. One member, he relates, who asked for a book called *Facing Reality* was told that it dealt with a subject not collected by the Library. But when Arthur Koestler was invited to cover the Spassky/Fischer match in Reykjavik and decided to mug up on Iceland and on chess, he found a book in the stacks called *Chess in Iceland*, published in 1905 by the Florentine Typographical Society. The London Library, all members know really, is not only much loved, it is wonderfully efficient.

William St Clair

On God and mint juleps

POSTHUMOUS compilations of a major writer's work can often be disappointing, desultory affairs. Not so with this book, which brings together the uncollected non-fiction work of a leading Southern novelist of the post-Faulkner era. It is a testament to the cogency and immediacy of Walker Percy's thought that these essays, ranging over a thirty-year period, read as if composed for a single, sustained collection.

Percy, who died last year at the age of 73, was a novelist who liked to think on the page. Ever since the publication of his remarkable first novel, *The Moviegoer*, in 1962, he proved himself to be a writer willing to tackle the big questions. Not that he was ever ponderous – it is hard to think of a writer who took on God, man and history with more cutting irony and playful wit. *Signposts in a Strange Land* is a fitting coda to this author's work. Like fine Kentucky bourbon, it is smooth going down but powerful in its effect.

Editor Samway has divided the book into three parts, dealing with the South, writing and religion. The first of these sections is perhaps the liveliest. Percy was born into a wealthy Memphis family and, after the tragic early deaths of his parents, was raised by his Uncle Will, a cultivated Mississippi gentleman whose home was a hub of artistic and intellectual activity. This upbringing left Percy with a deep nostalgia for the manners, customs and spiritual life of the Old South.

SIGNPOSTS IN A STRANGE LAND
by Walker Percy, edited by Patrick Samway
Bellew £14.95. 428 pages

It is hardly an unblinkered affection, however – Percy repeatedly points out that the problem of slavery was the poisoned chalice in which the mint juleps were served, keeping it from achieving its potential artistic or spiritual greatness. Still, Percy loved the South, taking considerable ironic glee in how his region (now called the Sun Belt) came to provide the economic power to prop up the rusting North. And, if the race problem still exists in Mississippi, it is just as bad, if not worse, in New York – "The South has gotten rich and the North has gotten Negroes, and the Negro is treated badly in both places. The Northerners won and freed the slaves and are now fleeing to the suburbs to get away from them."

The book's second section provides a comprehensive statement of the aesthetic stance that informed Percy's novels. His books returned again and again to a single theme – that despite this century's technological advances, modern man is still gripped by a profound malaise, a feeling that for all our creature comforts and indulgent morality, something is still missing. Modern science can explain everything except one small matter: "what it means to be a man living in the world who must die." Percy saw his role as novelist as being similar to his original profession as a clinical pathologist. His books dissect the peculiar anomie that grips people who should be happy, from the strangely detached movie buff of his first novel to the neurotic, thoughtful heroes of *Love in the Ruins* and *The Second Coming*.

Percy's answer to this malaise is hinted at in the book's third section; it is, unashamedly, belief in salvation as offered by Jesus Christ and the Roman Catholic Church. What was always so striking about Percy was that, beneath the playful post-Modern veneer of his novels, lurked a Catholic Southern gentleman who had scant regard for the 20th century, including the Swaggerts and Falwells who sprang from the same "Jesus haunted" soil as he did. In an age when religious language tends to be inflated, it is refreshing to read a believer/writer who refused to succumb to the temptations of cheap evangelism. Only in his apparent equation of abortion to Nazism does Percy seem to slip off the tightrope he walks between dogma and art.

Walker Percy was that most attractive of artists – a Jeremiah who could laugh at both himself and his world, a deep believer who never saddled you with his faith. For readers of Southern literature and independent minded Christians alike, this is a book which should prove the sort of "cumulative bliss" Percy promises on page 107 in his favourite mint julep recipe.

Stephen Amidon

Battle lines

GENERAL STRAWSON is an enthusiast for the regimental system, and if his account of the campaigns the British Army took part in between 1789 and 1889 does not aim to throw fresh light on their politics or their strategy, it is at least uncommonly generous with the orders of battle. This is the theme his Kiplingesque title suggests, yet his information about the "beggars in red", though strong on generals, colonels and Secretaries of War, does not give much of a close-up of the eponymous creatures that Wellington called "that article" – the men in the ranks.

Wellington was perhaps right to consider them "the scum of the earth"; he judged them "capable of any outrage, liable to dissolve into disorder as readily after success as after failure." But then, why should any decent man enlist in a force where he might be flogged, or (to quote Ridley's *Lord Palmerston*) "would never, except in the most extraordinary cases, be able to win promotion from the ranks, would be subjected to military law and deprived of his legal rights . . . and if he survived, might be discharged from the service at Dover and left to walk home without any pension"?

BEGGARS IN RED
by John Strawson
Hutchinson £18.99. 254 pages

Yet the bravery of "that article" was almost beyond belief. He would face a charging enemy, cavalry even, holding his fire until they were within 30 yards. He would not hesitate to attack forces far greater than his own. This was largely due to the understanding between the men and their officers, who, Strawson writes, "scorned dishonour, were truthful, fearless and straightforward, and led from the front."

The book is not really about the quality of soldiers, however. It is an account of campaigns in Flanders, in India, in the Peninsula, in the Crimea, honest history in which judgments, and colour, are added from such varied writers as Sir John Fortescue, A.G. Macdonnell, James Morris, with even some serious attributions to Flashman. Some tactical accounts would have been easier to follow with more accompanying maps. Some fine battle paintings are reproduced.

B.A. Young

Fiction

Violence and menace stalk abroad

"THIS IS the only country in the world that has funny violence". That was the verdict on America by David Bell, the advertising executive who went walkabout in Don DeLillo's first novel *Americana* 20 years ago. The idea that violence could be funny consisted not in the reactions and dead-pan representations that it inspired, but in its own properties: the randomness, the direness, of violence on the road under the endless American sky, with its negligible causes and non-existent consequences.

Now, in DeLillo's new, tenth novel *Mao II*, the funny violence has moved abroad; it has followed a terrorist supply-line to London, Cyprus and Beirut. When Bill Gray, DeLillo's blocked, reclusive American writer comes to speak on behalf of a Swiss poet held captive in Lebanon and narrowly avoids death in a bomb-blast, he sees the European continent not as a Jamesian innocent mightbut as a Europe of bomb-damage, of streets "filled with glass, snowblinking".

Bill Gray has the reclusiveness of a Pynchon or a Salinger, he has Brodkey's inability to publish, and ultimately he has Salman Rushdie's state of siege. Gray broods that he "used to think it was possible for a novelist to alter the inner life of a culture. Now bomb-makers and gunmen have taken that territory. They make raids on human consciousness."

MAO II
by Don DeLillo
Cape £13.99. 239 pages

THE FIFTH CORNER OF THE ROOM
by Israel Metter
Harvill £12.99. 182 pages

THE SECOND BRIDEGROOM
by Rodney Hall
Faber & Faber £13.99. 214 pages

The recurrent motif of the book is the crowd: DeLillo sees it in Warhol's repetition of Mao's image in his silkscreen "Mao 11"; he sees it also at Tiananmen Square, at Hillsborough, at the Khomeini funeral. They are crowds witnessed by the invisible, auxiliary crowd of television viewers, the "crowd" of media-consumers that Elias Canetti, in his *Crowds and Power*, saw as the guilt-free heirs of the execution mob. Wedded to hysteria, catastrophe and exhaustion, DeLillo's crowds assemble at a strange, contemporary Armageddon; they strive for an extinction of the self, a desperate collective *thanatos* of the spirit.

Israel Metter's *The Fifth Corner of the Room* tells the story of Boris, a down-at-heel young Russian mathematics teacher and his doomed, life-long love affair with Katya, the beautiful daughter of a professor of bacteriology, played out along the decades of Stalinist repression. Thay achieve only momentary happiness and Katya ultimately marries an actor famed for his impersonation of Stalin in pious, state-sponsored films and plays. Her father is arrested for no reason and at last the forces of state terror are visited upon Katya herself.

First published in Leningrad in 1967 simply as a tragic love-story with the political commentary prudently removed, the emergence of the complete text shows an old man's agonized confrontation with the past as he evokes his complicity and impotent bewilderment in the face of terror, beauty, injustice and love. It is a novel of insomnia, a secret, alternative life, experienced at night. Boris tells us: "Wriggling inside our sweaty sheets in the profound dark of night, we delivered accusatory speeches." Boris's sadness, humour and terrible self-knowledge movingly emerge in Michael Duncan's lucid translation.

The Second Bridegroom by Rodney Hall is effectively an epistolary novel; the narrative is a confessional manuscript by a young Manx prisoner convicted of forgery and transported to New South Wales in 1838, who escapes on arrival and is taken up by tribesmen who hope, by maintaining his talismanic presence in their midst, to ward off the invading colonists.

Rodney Hall brilliantly manages to centre his narrative voice in different, overlapping cultures: the Manxman and tribesmen variously pitted against the imperial English who impose a lacerating culture and language of productivity on virgin terrain. The growing sense of mystery about the manuscript itself, and how it is that we come to be reading it, is also expertly managed. With its sense of transgression, taboo and menace, *The Second Bridegroom* is a modern classic in the tradition of Edgar Allan Poe's *Narrative of Arthur Gordon Pym*.

Peter Bradshaw

ARTS

One in the eye

Nigel Andrews takes in the Venice Film Festival

A tale of two fellows: Keanu Reeves and River Phoenix in "My Own Private Idaho"

OUTSIDE THE Palazzo Del Cinema a black box with a giant blue eye painted on it stares down from a grey brick pedestal. This is the 1991 Venice Film Festival logo and it is everywhere. On the poster, on the catalogue jacket, in your dreams. In addition Venice's proud new auditorium the Palagalilei, a roofed-over conversion of the old open-air Arena, is sponsored by an eye-glasses company. Eccola! We get the message. The art of cinema is for those who see, by those who see, about those who see.

This should be blindingly obvious, but 95 years of cinema history have clouded our perception. Most narrative films today are so underwrought visually that you could doze through them with portcullised eyes so long as your ears stayed open for the dialogue. Ninety-to-120-minute stories with few imagistic grace-notes. No wonder Venice '91 comes as a shock.

First out of the gate: *Anima Mundi*, 30 minutes of whiz-bang footage of nature and the elements, mystically montage'd by the firm of Godfrey Reggio and Philip Glass (*Koyaanisqatsi*). Second film: Luc Besson's non-fictional *Atlantis*, a swirling hymn to the sea depths from the director of *The Big Blue*. Third and fourth films, at least as scheduled: two 50-minute autobiographical essays from John Boorman and Nagisa Oshima. But Boorman's film failed to arrive, and we were left with the gorgeous images but vapid content of the Japanese film-maker's memories of Mum, Kyoto and all those cherry trees.

Still, the thought counted. And the question "What is cinema?" promises to resonate. Positing an avant-garde, hi-fi-video future with Peter Greenaway's *Prospero's Books*, one of two upcoming British competition entries, with Jarman's *Edward II*, Venice balances its philosophical inquiry into Moviedom with a Hollywood retrospective (1929-33) that spotlights what the *past* used to tell us about filmgoing habits and expectations.

This show is devoted to the censorship-prone Hays Code era when sex, violence and company had to sneak in under plain, or rather polymorphous, cover. Venice's golden-oldie triple bills – ten minutes each of Hearst Movietone News and cartoons, followed by a feature like Mamoulian's *Applause* or Borzage's *Liliom* – showcase the variety moviegoers used to experience at the cinema before TV came and all film fare froze into feature format.

Hollywood today, though, is showing signs of restless invention. Gus Van Sant's *My Own Private Idaho*, an early tip for the Golden Lion, has a plot so elusive you sometimes give up chasing it to imbibe the capricious visuals. Two young male prostitutes, River Phoenix and Keanu Reeves, wrestle with family pasts and troubled presents. Phoenix is a narcoleptic looking for his lost mother. Reeves is a modern-day Prince Hal forced to choose between his surrogate Dad, a crimeworld Falstaff, and his real one, who is the Mayor of Portland, Oregon.

But not since *Twin Peaks* has a two-sentence story summary been so inadequate. Filmed with wildly bizarre touches – porno-magazine covers that come to life, fish-eye close-ups, dreams that dovetail with the real – the film has an eclectic, free-form complexity worthy of James Joyce. In the Reeves plot the Shakespeare liftings are shameless. In the Phoenix plot the James Dean liftings are shameless. But plagiarism is part of post-modernism. What matters is the creative temperature at which the bric-a-brac is melted and fused together. *My Own Private Idaho* is *sui generis* and at heart dazzlingly simple: a tale of two fellows looking for their origins and identity, just like cinema itself in the run-up to its centenary.

Nothing else has touched this film at the Venice festival so far. But one thing has touched the Venice festival, and that is the death of Frank Capra. Imagine 200 Italian journalists responding to the loss of a Hollywood director who was born in, yes, Italy (Bisacquino near Palermo). As a Capra retrospective here some years ago proved, Italians go berserk for the blend of homely sentiment and plain-man socialism that marked films like *Meet John Doe*, *Mr Deeds Goes To Town* and *Mr Smith Goes To Washington*. One national newspaper headlined its obituary, with a tastelessness transcended by sheer sentimental intensity, "Mr Capra Va In Paradiso."

May I, having few things more to say about a yet modest film festival, put in my Frank Capra two-pennyworth? As a child I delighted in his amiable-tosh products: *Lost Horizon*, *It's A Wonderful Life*. As a grown-up I loved and still love his wishful fairytales about American decency winning out over American corruption.

Never mind that James Stewart could never get to Washington and overturn 100 years of vested-interest graft and duplicity. (Actually history in a playful moment gave us a Jimmy Stewart look-and-sound-like in Jimmy Carter. But he had no filibustering flair and no Jean Arthur.) And never mind that Gary Cooper could never clean up small-town civic corruption Mr Deeds-style as he later cleaned up small-town frontier thuggery in *High Noon*.

The point is that Capra, from his architect's drawing board in the offices of American Dream Inc, gave Western idealists everything they could muse on and aspire to without the tedium of being practical. As Utopias go, Capra's were both sweet-and-silly and genuinely inspirational. Praise to him and his too seldom applauded screenwriter Robert Riskin. Praise too to the Stewarts, Coopers and Jean Arthurs who had the style to make New Deal comedy fizz like Old Deal screwball.

Here in Venice we wistfully await a headline epiphany worthy of Capra: "Mr Genius Comes To The Lido" or "It Happened One Night". It still may happen. Yet to come are new works from Godard, Herzog, Skolimowski, Szabo and Terry Gilliam. Meanwhile the sun shines, the gondolas bob, the wine sparkles. Under the right conditions it is, as Capra claimed, a wonderful life.

The best drama is off stage

Antony Thorncroft on the changes needed in Edinburgh

BRIAN McMaster is playing himself in quietly and diplomatically as the new director of the Edinburgh Festival. This is a shrewd move. His predecessor Frank Dunlop did not get far by having rows with the local council over its meanness with funding and its reluctance to give the city the opera house that the world's leading festival so obviously needs.

At this year's festival the rows became an entertainment in their own right, generating better drama than Frank was able to attract. His shortage of money meant that Edinburgh seemed to be playing perpetual host to eastern European artists just because they come cheap and expect little in the way of bed and board. After the financial success of 1990 this year's festival seems set to register a loss.

A soft spot for eastern European artists is a characteristic that McMaster shares with Dunlop, and during his time running the Welsh National Opera there was usually a production in the repertory directed by an East German. This apart, the festival seems set for a profound sea change, shaking off the patchwork image that was obvious in Frank Dunlop's last years.

It seems inevitable that the festival will be slimmed, with fewer but grander events. The aim will be to make it a must for the cultural groupie, with opening nights that command international attention. The exorbitant cost of mounting big new opera productions could be shared with Salzburg or even Glyndebourne.

Serious thought is being given to switching some of the specialist festivals that congregate around the main arts shindig – the book festival, the film festival, the television festival – to other times of the year. There is no attempt made to integrate their activities and sell them as a package, so the over-kill becomes quite counter-productive.

To stifle complaints that the Scottish contribution to the festival gets overlooked McMaster is contemplating an exclusively Scottish festival in Edinburgh, perhaps in the spring, offering a showcase of local artistic talent with the aim of attracting a world audience.

Undoubtedly the festival will take on a different feel – not just a switch in the bias from drama and towards music (ironically, for a theatre man, in Dunlop's last festival the music and opera were far better than the drama or dance), but more attention will be paid to the visual arts which have lost out in recent years. What seems oblivious to change is the Fringe, although the disillusion which grips many of the Fringe participants at Edinburgh – the high cost of being there set against the total disregard of the media and the public – should continue the thinning of the Fringe which is already underway.

■ ■ ■

Networking is the nub word. When John cannot get through to George because he is taking a call from Mikhail that is networking. Finance Ministers are in almost perpetual network, enjoying face-to-face sessions in attractive locations.

The idea of a network of key figures running the world through personal contact developed out of the annual World Economic Forum at Davos. This is where the cards of the most influential politicians, economists and businessmen change hands and the future cosily planned and predicted.

Now the arts has its own network, built around two hundred artists, businessmen, patrons, and cultural gurus pledged to meet annually to ensure that the arts play a major role in the new world order. Klaus Schwab, who founded the Economic Forum, used his network contacts to call a gathering in Venice last week end. It was an invitation not easy to resist.

Of course Dickie (Attenborough), Günter (Grass), David (Hockney), and all, could not make it in the end, but Lorin (Maazel), Quincy (Jones) and Lord (Gowrie) were on hand, with a good gleaning of rich patrons, and a few hard faced men who reckon there is money in the arts. The fact that it was Regatta week end and, for jet setters, a choice of balls, probably encouraged acceptances. The host, Gianni de Michelis, Italian foreign secretary, who operates in perpetual overdrive, was generous to a fault.

And did the Forum usher in a new Golden Age? Of course not. As ever at international conferences designed to break down barriers, national characteristics flourished, with the French glorifying the role of the "artist" as rebel, the Germans hard-headedly asserting that culture never stopped a war, and the developing world bemoaning cultural exploitation.

There were a few practical ideas, like a World Arts Village, to be held every four years, a super festival of Olympian proportions; like a cultural satellite, which would beam arts programmes to an estimated 500m subscribers; like the selection each year of a major monument for international salvation.

None of these may materialise, but there are cities prepared to play host to the 1992 Arts Forum and there are enough rich, energetic, men and women involved to make some kind of cultural mark. And always at such events one important idea surfaces: for example, that artists are a source of wealth, not a consequence of it, and that they are the innocent research and development workers for the $250bn global entertainment industry, which is growing by 15 per cent a year. This should warm the heart of the underpaid toiler in a touring drama group, or the artist patronised by a hard dealer.

■ ■ ■

The fine art salerooms may slumber through a long summer, but that does not stop the rumour-mongers. The perennial story has surfaced again – that Phillips is preparing a bid for Christie's. It is wonderful cheek. There is Christie's, an international company with sales last season of £650m, and there is Phillips, which has never made its mark outside the UK, where it operates an extensive chain of provincial auction houses which contribute towards a turnover of £88m.

But the chairman of Phillips, Christopher Weston, is a clever operator. He has built up small stakes in Christie's in the past and later sold them well. Now that ADT is vigorously trying to dispose of its 24 per cent holding in Christie's it is natural that Weston should put down a marker, especially as Christie's half-year results, out soon, are likely to show a small profit but one not large enough to sustain the high share price.

Even so, Weston knows that gathering together merchant banks to back him in a bid for Christie's, which would cost around £320m, is not on the cards unless the directors of Christie's agree. The fall out among Christie's specialists from a contested bid would be ruinous.

The long running stand off is likely to continue – Weston would love Christie's to seek a merger, incorporating Christie's expertise in big money Impressionists and its international contacts with Phillips' homely concentration on the medium end of the market, but in the immediate future nothing could be further from Christie's intentions. Ideally it hopes that ADT can sell its stake to as many small shareholders as possible; practically it is seeking one large friendly holder of the shares, perhaps a well-respected conglomerate which could buy the whole company and release it from the nagging saga of its ownership.

Brüggen draws on tradition

Richard Fairman on the latest Mozart offering

THE TITLE of this festival tells all. This is very much "Mozart Now", as he is played by the innovators in musical thinking in the 1990s, and not at all "Mozart Then" according to the performance style that obtained through the best part of the century.

All the participants in the South Bank's main offering for the Mozart bicentenary year are period instrument specialists. This is the single feature which they have in common, as otherwise they are as diverse a selection of people and musicians as you are likely to find: Norrington the adventurer, Gardiner the immaculate professional and, in a group of four concerts which conclude tonight and tomorrow, Frans Brüggen.

He is the romantic of the group. Instead of uprooting the style of performing Mozart in an abrupt and violent break with the past, as some of his colleagues have done, Brüggen is an expressive musician who has absorbed the best of the old style; he continues to draw strength and nourishment from the roots of tradition.

On the podium he looks a lanky figure, all arms and legs, and it is the very elbow-room that he brings to the music which makes his performances breathe so naturally.

Even in the opening movement of the "Haffner" Symphony, No 35, which most "authentic" conductors drive along at a relentless rate, Brüggen found time for the colours and lyrical phrases to flourish.

The impression is of music being made spontaneously as it goes along, although that does have its obverse side. In any Brüggen performance there are always one or two features that do not come off: the throwaway ending to the Symphony No 39, for example, really did not work.

The programme on Thursday was based on a concert that Mozart gave in Leipzig in 1789. They liked long evenings of music in those days and this one lasted nearly three hours despite omitting at least one concerto.

Given the duration, the Orchestra of the 18th Century stayed the course supremely well, with fine solo wind playing both in the two symphonies and in a pair of soprano concert arias, successfully essayed by the mezzo Diana Montague.

It was, however, with the Piano Concerto in C, K.503, that Brüggen came up against a collaborator of comparable sympathies in the pianist, Robert Levin. The programme-note promised us the concerto with trumpets and timpani, but in the event we had neither, which would seem to have been a conscious decision.

There was little place for pomp in the way that conductor and soloist saw the music and this performance excelled in its feeling of intimacy, of easy give-and-take. There was a problem with audibility, though. The fortepiano is a delicate instrument and it should have been placed right at the front.

Which leaves one novelty: in Mozart's day a soloist would often be expected to improvise if he was to prove himself the complete musician and this is what Levin did, composing as he went along a loosely-formed Fantasia which might have been more impressive if the four ideas picked at random from an audience suggestion box had been less trite. Next time I threaten to submit the theme for a fugal finale.

Stoopid dames

BRITAIN HAS now seen La Gran Scena, the American travesty opera company, several times, as it has the annual farewell recitals of its prima, Vera Galupe-Borszkh. I have also seen the company in New York. In short, I catch it as often as I can, yet it always surprises me to find that I laugh as much or more each time. It isn't always loud laughter. Sometimes it is a happy purr, and sometimes it is laughter that melts into amazement at the sheer finesse of the singing.

These dames have such relish for the sheer absurdity of opera. I love the fact that they're so dumb – except for that canny termagant, the 105-year-old Gabriella Tonnoziti-Casseruola. All the others are really stoopid divas, hilariously unspontaneous in all their stage business; shrewdly scheming in all their transparent, petty rivalries; joyously devoted to their great calling.

Several of the scenes they are showing on their current tour were new to Britain. Of these, best is the large chunk of *Cavalleria Rusticana*. When Santuzza (Vera Galuppe-Borszkh) removes her cape, the audience guffaws at once to see that she's nine months pregnant; and then cackles more because her chemise is made of the same material as Mamma Lucia's tablecloth. Funnier yet is when *Santuzza* notices they're made of the same stuff. Yet you've hardly time to laugh now; she knows her time is near. And, yes, she gets her first contractions during her anguished duet with Turiddu.

This kind of sublime absurdity is why some of us are Gran Scena devotees; and we know it is very near why we are opera devotees too. The company's two oldest divas are always on this level. I was thrilled to see and hear again the aged Gabriella, imperious and yet no-nonsense, as abrupt in taking over as if she were Schwarzkopf and this her own masterclass. No-one has ever been more Italian than Gabriella; or more old.

Above all, there is the evening's commère, America's most beloved retired diva, Sylvia Bills. "I won't sing; don't ask me," she says again and again with increasing coyness, "Not if you should stamp your feet and cry 'Sylvia! Sylvia! Sylvia!'" Whereas Gabriella is very much thr real operatic thing, Sylvia somehow shows you (she doesn't know it herself) that she was never a great artist; and that is the most touching Gran Scena joke of all. But she too wants us to appreciate opera all we can; so she translates every word, right down to "Caro nome" and Gabriella's surname. Her very earnestness becomes exquisite.

Alastair Macaulay

La Gran Scena's final performance is tonight at the Royal Northern College of Music, Manchester.

Radio

A great Oxonian

THIS HAS been Auden Week on Radio 3, part of the BBC Radio Poetry Festival. On Monday there was a fine reading by Mark Wing Davey of Part IV of the *Letter to Lord Byron*, and on Tuesday *Form*, a recital of some shorter poems, read by Nicky Henson, Caroline John, Gerard Murphy and Anton Lesser. On Thursday, *Spain* was not only about the Spanish Civil War, but the Second World War, as seen from New York in 1959, with the memorable line, "We must love one another or die."

Yesterday, *A Christian ought to write in prose* (a line from his dedication of the collected shorter poems to Chester Kallman and Christopher Isherwood) was a documentary compiled by Ann Mann examining the political and religious facets of Auden's life, the family influence, the Berlin influence, the American influence, with contributions from Terry Eagleton, John Fuller, Peter Porter and others. Auden's poetry, in his familiar middle-class English ("the Oxonian dialect," he called it), is full of what has been described as "proverbial" knowledge. For me, he has no poetic equal in his time. More readings of the early lyrics this evening, and two more programmes next Monday and Thursday.

More science-fiction on Radio 4 on Wednesday and Thursday. It is labelled *The Shape of Things to Come*, a forecast not always equally applicable. Wednesday's *The Midas Plague*, from Frederick Pohl's novel, might certainly suggest the faults in a favourable future. Total mechanisation has meant excess of everything, and rationing has been introduced to boost, not reduce, consumption – lowest grades to consume most, highest grades a decent amount. Morey Fry (Michael Drew), a mere grade 4, drunkenly tells his head robot to let the other robots take all they want, so he becomes "consumer of the month." The Central Control so approves of what he had thought his guilty deception that they encourage it everywhere. In case this means shortages, Morey says, robots must be fitted with a satisfaction circuit. This gets him promoted to grade 8. Pohl understands society (his *Space Merchants* has the world taken over by advertising agents) and I found this piece, set in a sentimental domestic background, very wise. Alec Reed directed.

Algernon in Thursday's *Flowers for Algernon*, from Daniel Keyes's book, is a mouse on which a surgeon and a psychiatrist have operated to triple its intelligence. Happy with their work, they then operate on Charlie, a dim-witted factory worker, and triple *his* intelligence, or more, for in weeks he is a genius – science, languages, the lot, all from books, reading having been his first advance. But with Algernon, and then with Charlie, the improvement fades away. Charlie lost his mates as he became "smart", and when he tries to rejoin them they don't care for him. Tom Courtenay's expert Charlie, graduating from one persona to the other without losing his basic character, made the story as touching as a Hans Anderson tale, and as morally improving too. Matthew Walters directed.

Both these plays began at 3pm. Afternoon plays will start at 2pm from September 16 on, when the new Radio 4 schedules begin, but more of that later.

Mind the Gap, first heard on Radio 4, was rightly repeated on Radio 1 on Monday. Its theme was the reluctance of teenagers and adults to discuss things together. Mostly we just heard the young voicing their problems, or more often their fixations, but little to prompt them to consult their elders. The former Radio 1 system of inserting the social bits sharply into the music was not followed, a pity I thought. Interesting and informative, all the same.

We used to see Henry Livings as actor and writer in the 1960s and 70s. He had a gift for knockabout farce; *Eh?* was put on by the RSC in 1964. If you have 15 minutes idle after Radio 4's 8pm news, you can catch him again, but I am afraid the pleasure in his gossipy little talks about early days in the theatre will mostly be nostalgic.

B A Young

Mendelssohn regained

THE HUDSON Valley, in upstate New York, is not the obvious site from which to launch an all-out rescue operation on Mendelssohn – even though its noble river mirrors stretches of the Rhine, down (or rather *up*) to mock-castles on its bluffs. Conference centres and mental institutions, no doubt, and small liberal-arts colleges: Bard College is one of the latter, with 600 gracious acres reaching to the Hudson. It also has a President, Leon Botstein, who is a distinguished 19th century musicologist, and the conductor-elect (from next summer) of Stokowski's old American Symphony Orchestra, and a formidable go-getter.

Last year he inaugurated an annual Bard Festival, "Rediscoveries", with the object of making audiences listen to all-too-familiar composers with fresh ears – last summer Brahms, this year Mendelssohn. What is there to be learned, you might ask, about Felix Mendelssohn? Nobody denies the genius of his precocious Octet for strings and the *Midsummer Night's Dream* music, nor of the later Violin Concerto and his irresistible "Italian" Symphony – and there are some brilliant piano-encores too. On the other hand, to most modern ears *Elijah* and the "Reformation" Symphony sound like bland capitulations to Victorian taste. (Truly "Victorian": she and Albert thought the world of him, and in his mature years British audiences were his most loyal ones.)

On Radio 3 some years ago, Hans Keller mounted a polemical campaign for his chamber-music. Many of us were persuaded of its formally resourceful originality; but we went on thinking that Mendelssohn's expressive burden dwindled into conventionality with age (he died at 38). Botstein promotes him as a richer spirit, a temperate but valiant defender of the Classical tradition against the coming Wagnerian subversions.

The Bard menu – two intensive weekends of concerts and lectures – was not designed to present Mendelssohn as a composer validated by musicological analysts, but as a communicative musician. The programmes, arranged by Botstein and his colleague Sarah Rothenberg, succeeded beyond expectation in doing just that. The "marginal" events had an important role, and I will write about them later; but Botstein's three orchestral concerts for the second weekend had to be the proof-of-the-pudding, and they made a revelatory impression.

The first set Mendelssohn in his period-context – the "Scottish" Symphony (to which I've always been immune) with Niels Gade's op. 1 "Echoes of Ossian", William Sterndale Bennett's *The Naiads*, Spohr's *Faust* Overture and Weber's evergreen *Konzertstück*. The last was a disappointment: Gilbert Kalish, an estimable pianist, had apparently accepted the engagement but forgotten to learn the piece, which in better hands could have illustrated a vein that Mendelssohn was too straitlaced to explore. The rest of the also-rans was far better – lucid, period-steady (a Botstein trademark), pristinely charming in naive orchestral colours.

Those pieces set up wonderfully the superior skills of Mendelssohn's "Scottish". Despite its misleading "no. 3" it was his last symphony, and Botstein explored it with rare *élan*. I have not heard the contrapuntal writing in the first movement addressed with such well-placed muscle, nor the Adagio treated to poised, long-breathed lines instead of decadently ravished gasps. The Festival orchestra consists chiefly of young New York professionals, unused to anything much like pianissimo but athletic *and* musicianly in any other vein: they were a tonic.

In the second concert they did achieve a nerve-end pianissimo for the *Dream* Overture; and then we had not only the Overture but the sung Prologue of Marschner's opera *Hans Heiling* – an ingenious choice, for its tortured "underworld" libretto had been rejected earlier by Mendelssohn. He sought endlessly for an opera, but never achieved one. The *pièce de résistance* here was his now-forgotten music for Sophocles' *Antigone*: mostly choral, gravely tender, attaining the weight of authentic tragedy in its final numbers. It is too gentle to make a self-standing score – it was designed as sober enhancement to the spoken drama, which at Bard was compressed into Claire Bloom's rivetting one-woman narration.

The last concert packed the most thoughtful punch. A main Botstein theme had been Mendelssohn as Christianised Jew. Felix's grandfather was the revered liberal philosopher Moses Mendelssohn, and his prudent, well-assimilated father had had him baptised early; yet the composer clove (discreetly) to his Jewish identity. Botstein detected that loyalty in Mendelssohn's Goethe-cantata *Die erste Walpurgisnacht*, about pagans and Druids who fend off a bloodthirsty Christian attack by painless cunning, and he placed it before the "Lobgesang" symphony-cantata – impeccably Christian stuff, performed at Bard with impeccable fervour. Duly prompted, we heard those works as haunted by unspoken echoes, and the music gained immeasurably.

David Murray

A case of who dares, buys

***Antony Thorncroft** on how Cotswolds dealers are faring*

TWO OR three years ago it was a popular dream. Sell your London property at a vast profit; or take early retirement from your merchant bank; or dispose of your company in the boom; and move to the Cotswolds and start afresh in the antique business.

If you were a London antique dealer, plagued with rising rents and business rates, there was even more incentive to join the 100 and more traders who make the Cotswolds a viable, and much more agreeable, alternative to the capital.

The advantages are still there – the beautiful countryside, the relaxed lifestyle, the support of fellow dealers who tend to co-operate as much as they compete. The only disadvantage is the lack of customers. Stow and Moreton-in-Marsh, Broadway and Burford may look crowded on a warm summer afternoon but few of the holidaymakers are buyers of antiques.

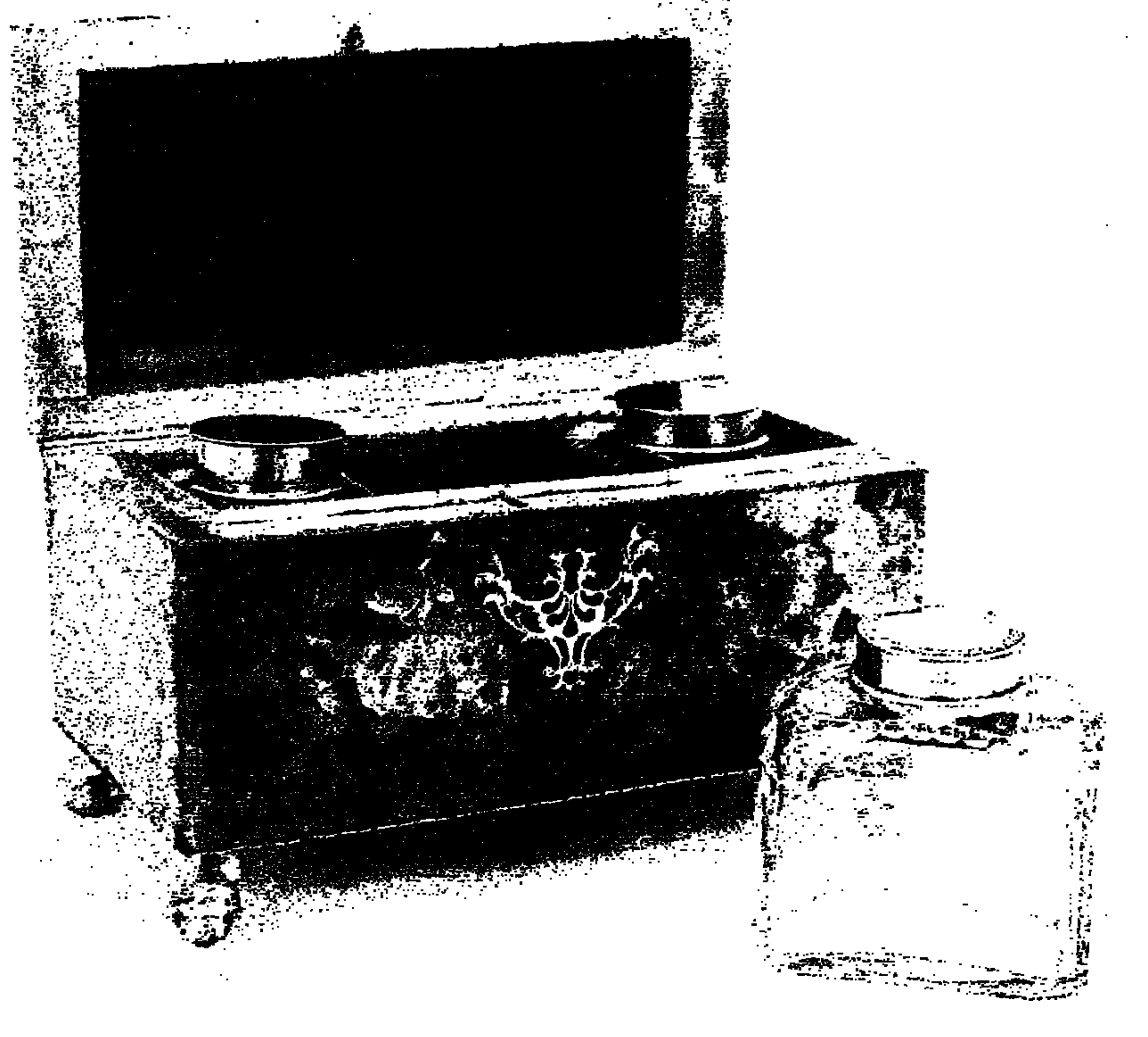
The retailers need the American dealers and the continental collectors. Above all they need the rich locals who have traditionally furnished their elegant homes from the village antique shops. All are thin on the ground, in particular the British. Trade is definitely sluggish, but so far there have been no big closures. Kenulf, the only Cotswold dealer to cease trading, came unstuck over property rather than paintings.

It is really a question of confidence. Undoubtedly there has been some impoverishment. Money has been lost at Lloyd's: company profits are down; the sharp decline in house prices has curtailed the pleasures of moving and furnishing a new home. But basically traditional antique collectors have pulled in their horns; they feel guilty about spending money.

It is worst perhaps for the picture dealers. The antique furniture boys have done better because customers can justify to their conscience buying something as utilitarian as a Georgian table or a set of Victorian chairs. A picture is seen as an extravagance in an austere era. But in spite of the gloom there are reasons for the Cotswold dealers to keep up their confidence.

They are probably not doing as badly as most of the London trade. Their overheads can be up to 50 per cent lower and their business is built around regular customers. Although the Cotswolds attracts trippers by the hundred thousand they rarely spend more than £100 on a holiday memento. Well-established dealers have a network of local and foreign buyers – around half are dealers themselves – who they know will still be interested in a particular picture, or a Chelsea figure, or an oak chest, or a 17th century long case clock. The question now is whether they dare buy that treasure.

Oddly, the other problem for dealers is a shortage of high-quality antiques. The salerooms have become the main source of stock for dealers and the salerooms are turning away low price, routine material and asking potential sellers to put low reserves on even quality antiques. Unless there is an urgent need to sell most owners are staying aloof from the market and waiting for prices to improve before they dispose of their goods.

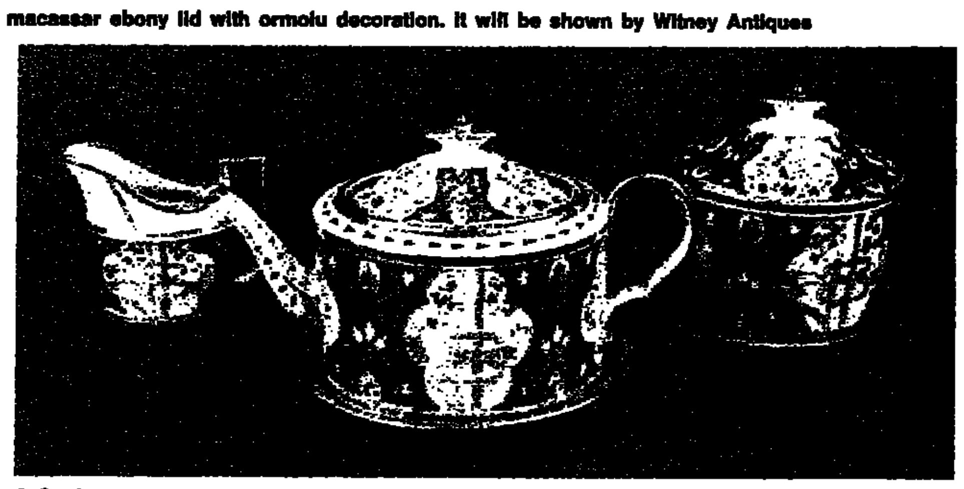


This blue-john tea chest has a macassar ebony lid with ormolu decoration. It will be shown by Witney Antiques

When a good picture, or a fine piece of furniture, does appear dealers compete quite keenly. So prices have not fallen as much as buyers expect, although dealers will probably be more prepared to accept an offer. Some dealers have found that potential sellers, deterred by the cool reception they are receiving in the auction houses, are offering them high-quality goods at attractive prices.

Of course there is nothing more tedious than sitting in a shop waiting for custom, so Cotswolds dealers are out and about working harder. For picture dealer John Noott of Broadway this means doing the big fairs, such as the recent gathering at the National Exhibition Centre, the largest of its kind in the country. There was no fall in the number of visitors and most dealers did enough business to go home reasonably happy. Noott reckons this is the worst recession he has known but his 20 years of trading have enabled him to build a regular clientele which tides him over.

For Rick James, of the Priory Gallery at Bishops Cleeve, it means yet more trips abroad buying continental pictures by artists such as the late 19th century portraitist of pretty women, Toussaint, which are still in demand by affluent continental dealers and collectors. He has seen an improvement in the past quarter and is now buying again.



A Coalport teapot, basin and jug in the dollar pattern, circa 1810

For Brian MacDonald of the Sanarkland Galleries it means constant travel linked to lectures in which he instructs potential clients in the attractions of oriental carpets, in particular nomadic rugs. He is the first dealer in this specialist sector to set up in the Cotswolds and is happy with the move.

Collectors enjoy a trip into the country and his costs are much lower than in London. Business may not be as brisk as he would have hoped but Persian carpets and rugs will always be a sector in which buyers need advice and he finds he can service his worldwide clients from Stow.

Manfred Schotten is another specialist dealer, in his case golf and tennis memorabilia, who finds few disadvantages in being based in Burford. Like other Cotswold dealers he has detected an improvement in demand in the last two months and feels that his small, but keen, network of international collectors will always be in contact to see if he has added to his stock. The Japanese have temporarily deserted this field and prices at the golf memorabilia auctions in the summer were lower than in 1990: so anyone wanting a 19th century golf club or tennis racket can expect a bargain.

The Fosse Gallery has also found buyers prepared to buy if the price is right. It recently held a successful exhibition of Scottish art, with an average price of £4,000 a painting, and in September is offering 20th century British pictures ranging from the Bloomsbury School onwards. Around two thirds of its customers are from London and the Home Counties.

Undoubtedly the Cotswold dealers are having to work harder to stay in profit. Unlike their London rivals they tend to run their businesses on a tighter rein and are reluctant to build up excessive bank overdrafts. For many it is an agreeable way of life rather than a way of making a fortune. But to succeed in 1991 you have to try new initiatives.

Witney Antiques, for example, is putting together in the autumn its best exhibition built around antiques associated with tea drinking – caddies, services, pots, etc. Other specialist dealers, such as Brand Inglis, with silver, Jonathon Horne in ceramics, and Ray O'Shay in prints, are co-operating, and there will be a comprehensive catalogue. It is the kind of show usually located in London, and is an indication of Cotswold determination to ignore the recession.

Walsall's hidden treasures

***Paul Cheeseright** on an art collection that deserves better*

WALSALL is not a name which tumbles from the lips when chat turns to art galleries. Say "Glasgow" and the reflex response could be Burrell. Say "London" and it could be Tate, National, Hayward or a number of others.

Say Walsall and the response is not likely to be Garman-Ryan. It is more likely to be – where? what?

In fact, the Garman-Ryan Collection is rich, eclectic, personal. Critics admire it, but the public knows little of it.

"Even in the Midlands, a lot of people don't know it is here," confesses Peter Jenkinson, director of the museum and art gallery in Walsall. There is a case for arguing that Garman-Ryan is the most striking and interesting personal collection put together in Britain this century.

Nearly 400 works were drawn together between 1959 and 1973 by Kathleen Garman, the late Lady Epstein, and by Sally Ryan, an American sculptress and painter who was a descendant of Thomas Fortune Ryan, an entrepreneur from the robber baron era and one of those against whom US anti-trust legislation was originally directed.

Garman was brought up in the Black Country, which is why she bequeathed the collection to the museum and art gallery in Walsall, a west Midlands town to the north of Birmingham.

It was a massive addition to the cultural resources of the region in particular and the nation in general. For Walsall, the collection is an embarrassment of riches.

"It was left to us on condition everything is on display at one time," notes Jenkinson. That condition has not been met.

Upstairs in the present Edwardian gallery, compressed into one high ceilinged, barrel-vaulted room with inadequate lighting and technologically poor ventilation, the intimacy of the works, for the most part small in size, is dissipated by crowding.

The collection's centrepiece is a series of 43 works by Sir Jacob Epstein, running from early drawings to the maquettes for his sculpture commissions. But the collection broadens from that into works by Epstein's friends – Modigliani and Augustus John, for example – and into works by those connected with the family, like Lucian Freud. But Garman and Ryan were canny buyers and they extended the collection with the works of French artists such as Cezanne, Degas, Gaugin, Manet, Monet, Matisse and Pissarro.

To turn the embarrassment of riches into a celebration, the Walsall borough council would like to build a new museum. It has spent £250,000 on preliminary work. Plans have been drawn up by Levitt Bernstein Associates for a gallery which would space out Garman-Ryan through a series of interlocking rooms, permitting the works to be hung in the space they deserve and in the environmental surroundings they demand, and also ensuring easy access.

The difficulty is that the council has run out of money and cannot find the £2.25m to £2.75m necessary from its own resources to build the gallery. If it is built, it will be one of the few galleries to be constructed in the UK during the 1990s, but, as Jenkinson sighed, "everybody is fund-raising at the moment."

No planning has been involved, but Garman-Ryan effectively complements other collections in the Birmingham and Black Country conurbation. The biggest collection is in the Birmingham Museum and Art Gallery, where the paintings are displayed according to different schools and different periods with a particularly fine gallery of Pre-Raphaelites and water-colourists.

Elsewhere in the conurbation, the Wolverhampton Art Gallery and Museum, with an annual budget of £10,000 for acquisitions, concentrates on contemporary art. But, outside the municipal ambit, there is the Barber Institute of Fine Arts at Birmingham University.

There, over the last 50 years, a collection of paintings, running from Bellini to Magritte, to represent rather than cover the major schools of European art, has been cautiously assembled with an emphasis on quality.

Walsall Museum and Art Gallery, Lichfield Street, Walsall. Tel: 0922-653135. Open Monday-Friday 10am-6pm, Saturday 10am-4.45pm.

Birmingham Museum and Art Gallery, Chamberlain Square, Birmingham. Tel: 021-235-2834. Open Monday-Saturday 9.30am-5pm, Sunday 2-5pm.

Wolverhampton Art Gallery and Museum, Lichfield Street, Wolverhampton. Tel: 0902-312032. Open Monday-Saturday 10am-6pm.

Barber Institute of Fine Arts, East Gate, University of Birmingham, Edgbaston Park Road, Birmingham. Tel: 021-472-0962. Open Monday-Friday 10am-5pm, Saturday 10am-1pm.

Germany poised for artistic renaissance

ONE OF the minor mysteries of the art market is why Germany has played such a passive role in the past few decades. Few nations have a stronger artistic tradition, and the wealth created there since the Second World War has ensured that there is a plethora of collectors, not only for expensive international art, such as Impressionist and contemporary paintings and sculpture, but also for Old Master paintings, for tribal art, for glass, for antiquities.

There is a long history of connoisseurship in Germany, and an ingrained knowledge of the old and worthy which has not been deflected by the sudden appreciation – and downfall – of the new and meretricious.

Probably the competing financial and political cities – Frankfurt, Munich, Hamburg, Berlin – prevented the emergence of one powerful arts trading centre. But whatever the reasons for past reticence, Germany is now geared for action.

Sotheby's has committed itself heavily, and this year opened an auction house in Berlin – in the Unter den Linden in what was East Berlin – and will hold regular sales of modern art there while still offering earlier German art in Munich. Christie's is staying aloof at the moment, reassured by its success in selling German art through London. But undoubtedly by 1992, and the breaking down of trade barriers, Germany will become a main auction centre.

There are already signs of Germany raising its game in the creation of antique fairs which match, in quality and quantity, the best of any auctions organised by Sotheby's and Christie's. The Orangerie in Berlin has always maintained a high, if rather exclusive, reputation for displaying exceptional traditional antiques but the biggest general fair in Germany takes place every autumn in Munich. This year the 36th German Art and Antiques Fair will again be held in the Bavarian capital but at a different date and in a different venue.

It was traditionally scheduled for October in the appropriately artistic environs of the Haus der Kunst. This is being renovated so the fair has moved to the Munich Trade Fair Centre and to an earlier date, to September 27 from October 6. The venue may not have the prestige of the Haus der Kunst but it offers the 153 dealers taking part around twice the space to display 20,000 works of art, and the organisers are determined to ensure that the fair looks good.

All the dealers are German, but next year the organisers intend to open the doors to overseas dealers in recognition of 1992. So this will be the last time to observe the holdings of the German trade presented to a mainly but not totally German audience. Last year the fair attracted 30,000 visitors – more than Grosvenor House – and although locals dominated there were plenty of Swiss, Austrians and north Italians. There were also many dealers because Germany, now at the crossroads of Europe, is a good place for hidden treasures to re-emerge, and the stock on display has a freshness often missing from fairs in London and Paris, where antiques previously seen at auction or in shop windows appear with regular monotony.

Virtually all the top German dealers, led by Berheimer, a Munich dealer with a London outlet, have taken space and every conceivable type of respectable antique will be on offer, but with an emphasis on Old Masters, ceramics, and continental works of art, plus a good showing of 20th century German art.

In the last lacklustre season in London one of the few bright features was the strength of German buying, along with Italian and Spanish dealers. There was a record price of £1.59m at Christie's for an item of German furniture, a late 18th century commode made by J.G.Fiedler, and German Expressionist art has been one of the few encouraging areas in the depressed market for 20th century art.

A trip to Munich, to acquire, to make contacts, and to enjoy a crash course in German taste, would seem a sensible move for any British antiques dealer and for the prescient private collector. They might combine it with a visit to the Palazzo Strozzi, where the Florentine antiques fair nicely tops and tails Munich.

Antony Thorncroft

In a palace of pleasures

***Susan Moore** reports on the verve and vision of the grandest Italian antiques fair*

THE MASSIVE bulk of the Palazzo Strozzi, the largest of the 15th century Florentine palaces, makes an appropriately imposing venue for the oldest and grandest of the Italian antique fairs. Its boldly rusticated facade towers above the piazza, its *pietra forte* walls embrace well over an acre. "Imagine demolishing the Palazzo Strozzi in Florence," said Aldous Huxley, "it would be about as easy to demolish the Matterhorn."

This month sees the 17th biennial Mostra Mercato Internazionale dell'Antiquariato, from September 21 to October 9. Here the organisers revel in making a virtue out of a necessity. The palace, with its relatively small, almost cell-like Renaissance rooms, is transformed into a sort of Western-style souk of opulent booths. Its metamorphosis is achieved with a verve and visual invention unimaginable north of the Alps.

The fair marks the end of the summer break and the launch of the season as Italians return to the cities after the lakes and the coast. Arguably it is the best time to be in Florence. The international community of dealers certainly thinks so.

This year's event represents more than 60 Italian exhibitors, Antonacci and Bellini among them, plus a handful of British and German dealers, including Agnew's, Colnaghi, Harari & Johns, and Lingenauber, Neuse and Heide Hübner. Sculpture dealer Bruno Scardeone comes from Lugano, De Jonkheere from Paris. Kekko brings Old Master drawings from Toronto, Richard Feigen Old Master paintings from New York.

A first is the group of 11 top Spanish dealers showing under the auspices of the Asociacion de Profesionales en Arte Antiguo y Moderno. The association took a bow earlier this year at the Rome fair in May, and its presence suggests an increasing interest in the two-way traffic of works of art between Spain and Italy.

The increased internationalism of the participants reflects the efforts of the organisers to revitalise and modernise the fair after a period of stagnation. This year, too, the exhibits will be vetted by two committees made up of representatives of the Soprintendenza ai Beni Artistici e Storici, of museums, and academics. One is to guarantee provenance, the other authenticity.

Repatriated: Benvenuto di Giovanna's "Assumption of the Virgin", of 1498, is the most important picture at the fair

For the Italian trade, the advantage of foreign participation is that the fair will have the attraction of offering something new to the home market, in contrast to the large number of small fairs in Italy which seem simply to demonstrate the movement of goods within the country.

For the foreign dealers in Italian works of art, the vast amount of which is bought by Italians, the fair provides an excellent showcase. London dealer Derek Johns, exhibiting for the first time, explains: "We are going in search of the strong Italian market. In the past four months all I have been selling are Italian pictures to Italians." And, as Düsseldorf dealer Eckard Lingenauber put it: "The fair is the only way to import pictures into Italy without complications."

London dealers Agnew's and Colnaghi both reported good fairs in 1989, as did Stefan Kekko of the Gallery Kekko, exhibitors of 25 years' standing. According to Herr Lingenauber, another Palazzo Strozzi veteran, however, fair business has changed. "If a guy goes to a fair these days thinking he is going to do business, he is dreaming." His business now depends on "finding the right thing, researching it thoroughly, and then presenting it to old, established clients." Why, then, does he participate in the Biennale? "To show my face, and have fun."

New exhibitor Richard Feigen has adopted a similar attitude from the outset. "We have decided to drop all fairs, except perhaps the Art Show in New York. We don't have things that are decorative, and I don't have the desire to specialise in still lifes and *vedute*. Perhaps 80 per cent of our business is with museums. I don't have a commercial objective for going to the Palazzo Strozzi fair, I am trying to make a statement rather than sell things. I hope we meet some collectors, but if we don't, well, I love Florence and, as you can imagine, none of my staff mind being there either."

Over the last few years the quality of the paintings on show at Palazzo Strozzi has increased noticeably. It seems that this year fine art – rather than works of art – may steal the show. Feigen, for instance, is repatriating what he believes will be the most important picture at the fair, Benvenuto di Giovanni's 9ft high *Assumption of the Virgin*, 1498. The US banker J. Pierpont Morgan had bought it in 1910 and bequeathed it to the Metropolitan Museum, which deaccessioned it in 1978. Important too is his Orazio Gentileschi *Vision of St Francis*, and Ludovico Carracci's *Alexander and Thaïs*.

Agnew's is planning to take Tintoretto's *Deposition* of the late 1550s and, of local interest, three hitherto unrecorded gold ground panels by Marrioto di Nardo illustrating scenes from the Life of St Stephen for the altarpiece of the Florentine church of Santo Stefano in Pane. Colnaghi is offering works from the 14th to the late 18th century, including part of a predella of Francia's earliest great altarpiece and, for the first time, a group of Italianate rather than Italian *vedute*. Lingenauber will bring a gold ground triptych by Andrea da Firenza, and a Guiseppe Maria Crespi, plus a handful of Northern pictures.

Harari & Johns offer five 15th century gold grounds, including a Bernardo Daddi *St Dominic*. Its selection represents all the centuries up to the 19th, en route two 18th century views of the Arno by Thomas Patch and William Marlow. The stand will also have Florentine Old Master drawings from Münich dealer Katrin Bellinger, and Renaissance bronzes from the London-based Johannes Auersperg. Works of art throughout the fair range from sculpture and furniture to silver, ceramics, textiles and carpets, and oriental art – from 14th century celadon to Giò Ponti.

A number of events, exhibitions and projects accompany the fair. A lecture programme, for example, ranges from the distinguished Mina Gregori on 18th century Florentine view painting, far less well known than its Venetian cousin, and the Principessa Giogiana Corsini on the problems of keeping an important historic collection.

In 1989 there were small exhibitions of 15th and 16th century Russian icons from Moscow, and Deuta ceramics from Perugia. This year the USSR thread continues with 19th century watercolours from Leningrad by Russian artists working in Italy, and London-based dealer Trinity Fine Art shows drawings from the recently discovered Valadier archive, which represents the work of three generations of the leading family of 18th century Roman goldsmiths. While the London showing of part of this cache at Artemis, in May, concentrated on designs for silver this display reveals the Valadiers' versatility, with designs for furniture, church fittings, frames, watches, sculpture and swords.

Here is Italian showmanship, and solid good works. Proclaiming the event in the piazza is Marino Marini's 3m high horse, lent by the artist's widow. His *La Pomona* is to be found in the courtyard. Hanging inside the entrance will be Perugino's panel of the *Madonna and Child with Saints* from the Florentine church of SS Annunziata, restored with the proceeds of the last fair's gala evening. Beside it, Perugino's *Assumption of the Virgin* from the same church. It is hoped that this, too, will benefit from the gala evening, on September 30, of the Palazzo Strozzi Biennale.

Gold ground triptych by Andrea de Firenze, to be shown on the Lingenauber stand

SPORT

Cricket/**Teresa McLean**

England must face a different kind of test

LAST YEAR English cricket's Test team worked up its confidence with victories over New Zealand and India. Last winter it suffered crushing defeats on an unhappy tour of Australia. This summer it enjoyed a drawn series against the West Indies, followed by victory over Sri Lanka. It was a good humoured, successful summer.

The question now is whether England's confidence will develop and mature or die away under the pressures of modern Test cricket, starting with a tough series against Pakistan next summer.

This winter's ICC World Cup in New Zealand and Australia exercises a different kind of pressure. It is a one-day substitute for a Test competition to find the best team in the world. Test cricket has no such competition. It lacks the clear international aim it had in the days when matches between England and Australia dominated the world and were, in effect, world championship matches.

In 1877 the first Test match in history was played at Melbourne, against a combined Australian XI. It is clear from the reports which *The Times* correspondent sent back to his paper that in the outback of the Empire as much as in its London headquarters, cricket was all that really mattered.

"As may be supposed, the game was watched with intense excitement by enthusiastic crowds, and those who could not get to the ground clustered round the newspaper offices to see the last despatches from the seat of war placarded on the door posts".

Those days are past. Today the great traditional duels, between England and Australia and England and the West Indies, stand out less because they are surrounded by series against other strong teams, such as Pakistan, who can more than hold their own against the heavyweights.

This summer brought the old Anglo-Caribbean rivalry back to life, but while England were delighted to pull off a draw, Pakistan have drawn their last three series against the West Indies. They reckon they can make short work of England next summer and England will not start making their battle plans until they return from Australasia in March, with first-hand experience of what they are going to be up against.

Most modern Test series are played with a sense of urgency rather than overall strategy, though the West Indies and Australia still do well with their policies of persistence, making as few team changes as possible.

The World Cup is simple. It makes short, sharp demands of the teams playing and the teams make short, sharp changes as they play. Games are played in a highly strung atmosphere, saturated with publicity and advertising. There is a lot of money at stake. It is a cricket bonanza, good for the winner's morale but not to be taken to heart by the losers.

Not only should England take the World Cup lightly; they should take the whole winter lightly, making the most of the fact that this is a period of change for several leading Test teams which are reaching the end of an era, losing their most influential players.

New Zealand no longer have the invaluable services of Richard Hadlee. The West Indies bade a spectacular farewell this summer to their idol and inspiration, Viv Richards. Pakistan need a new leader to succeed Imran Khan, who held the side together for much of the 1980s.

'Modern Test series are played with a sense of urgency rather than strategy'

Next summer a lot will depend on whether Imran decides to come out of retirement again for one more last stand, as he did last winter to lead Pakistan to safety against the West Indies.

With a captain who is no longer young, English cricket qualifies as one of those Test sides "working out a future direction for everyone involved in it". (Cricket management's non-language, second to none). Graham Gooch is 38 and cannot have many more years to go in charge. He would be the last to put himself in the Hadlee, Imran or Richards category.

His captaincy is often routine and unadventurous; at worst it is grim, as in his Trent Bridge use of Richard Illingworth to try and suffocate the game with unplayable leg-side bowling. But the fact is that under his captaincy England have drawn a series against the West Indies for the first time since 1973-4, and at the Oval made the West Indies follow on for the first time since 1969.

Gooch is a quiet, honest man, respected by his team, and the key to his recent success has been his batting. He captains from the crease. England's victory at Headingley was the perfect tribute to Gooch's match-winning 154 not out in dour conditions which no-one else could handle.

Gooch and Micky Stewart, the team manager work closely, if not always cleverly, together. With Stewart's term of office soon to come to an end, Keith Fletcher, a shrewd tactician and astute judge of the game, is the obvious choice as his successor. He and Gooch are both Essex men and would work well together, not just in putting more imagination into England's approach, but also in sorting out who should take over when Gooch is no longer captain. It is a heavy problem for which I cannot pretend to have the answer.

One of the summer's unhappiest sights was Mike Atherton, prematurely ear-marked for the captaincy, having a dismal series, unfit and uncomfortable, playing poor, painful cricket. It may be that he will grow into the job, but what he needs is the winter off.

The popular choice as captain has always been Mike Gatting, who has blasted his way back into form late in the season. But he will be 36 when he is free of his South African quarantine, which has one more year to go.

Kim Barnett, 31, also has one more year of his South African penalty to go. He would be a more enterprising choice. He enjoys plotting and manoeuvring his way towards victory and is a fiercely attacking batsman and captain whose cricket does not always work, but is never dull.

Derek Pringle and Alec Stewart may soon be included among the possibles. The key is confidence. One of the most encouraging sights this summer was the appearance of young players who looked not just capable but confident and determined.

At 25, Phil Tufnell is a man matured by his humiliations in Australia, as he showed with flighty eloquence in his brilliant spell at the Oval: 14.3 overs, 6 for 25, including a triple wicket maiden.

Mark Ramprakash, a mere fledgling at 22, was more cautious than he would have liked to have been. He restrained himself doggedly, to avoid mistakes that would leave England in the batting crises in which he habitually found them.

His average for the series was 23, and he is in danger of smothering his talent. Only when England solve their batting problems and build a confident attack around the central strength of Gooch and Robin Smith will young, stylish batsmen such as Ramprakash and, with luck, John Morris, have a chance to bat England to some full-blooded Test victories.

Stifled talent: Mark Ramprakash has doggedly restrained his youthful flair

Drugs

Race against the cheats hots up

"OF COURSE you get worried when they start to change shape and run faster," says Frank Dick, the erudite British athletic team coach. "But you cannot point the finger of suspicion at every improving athlete."

Drug-taking has produced an era of distrust in international athletics. Drugs which help athletes train longer and harder are acknowledged as widely available on a flourishing black market. Using drugs can save on training time and improve performance – irrespective of the medical, ethical and career risks. Rumours abound, knives are regularly drawn and the whispering has been intense.

Yet optimism appears to have broken out among some sports administrators. Sir Arthur Gold, chairman of the British Olympic Association, says: "I do feel that we have turned the corner on drug abuse. When I first brought the subject of drugs to the International Olympic Association's attention in 1968, I was laughed out of the room. They said: 'You'll never be able to stop it.' We have come a long way forward since then."

For many, the watershed came when the Canadian sprinter Ben Johnson broke the tape and the world record in the 1988 Seoul Olympic 100 metres – and then tested positive for steroids.

"That was the catalyst for governments, sports authorities, the media and the public to start taking the problem seriously," says professor Peter Radford of the Sports Council's drug abuse advisory group. "From that moment money was made available and action was taken which has had a significant impact on drug abuse in Britain and abroad."

All parties admit that the extent of the drug problem is unknown. The sports authorities and coaches usually deny widespread abuse but acknowledge individual excess, while the competitors who get caught tend to fling accusations around.

Sir Arthur concedes that drug abuse has been widespread in some areas of sport, but contends that the "shame factor" has risen significantly over the last 10 years, thanks largely to new and stricter testing procedures.

The modern drug culture among athletes had its roots in the US in the late 1950s. In the 1970s, stimulants were the drugs giving most cause for concern. Drugs like amphetamines were taken on the day of a competition to boost performance. However, competition testing, which came into widespread use in the late 1970s, sharply reduced their use.

Since then steroids have made all the news. They are used for muscle building and to increase strength and endurance. The rub for the authorities is that if an athlete stops taking steroids about 14 days before testing they are undetectable.

"Only the careless and the ill-advised get caught," says Sir Arthur.

Charlie Francis, the trainer who fed Ben Johnson and a dozen other athletes steroids for several years, has said: "We knew what was happening in East Germany. Their coaches told us. It was part of the system, so we talked about it and exchanged information."

Hans-Juergen Noczenski, former chief of the East German Judo Association, was quoted in the west German press as saying: "Every athlete that competes internationally for East Germany is doped, every one."

However, Sir Arthur describes the emphasis put on eastern bloc abuse by the US as "the best PR smokescreen ever. The US is by far the worst offender," he says.

The advent of out-of-competition testing could herald the end of steroid abuse on both sides of the Atlantic. The effect on British athletics since its introduction two years ago has been considerable. Sports Council

officers are regularly testing athletes, and not just on their practice tracks and club grounds.

Britain is pressing for similarly stringent measures to be applied in other countries. Agreement for mutual cross-testing has already been reached with Australia and Canada, and other countries are likely to follow.

While the net seems to be tightening on steroids, other products and techniques are challenging the system. For example, erythropoieten (EPO), a natural human hormone used in the treatment of anaemia, which boosts red blood cell production and the oxygen-carrying capacity of the blood, is easy to administer and is undetectable without a blood test.

"EPO is excessively dangerous and will kill," says professor Radford. "I don't think we will ever make sport completely clean. But it's time we asked ourselves: 'What is sport? What kind of society do we want?'"

Dick agrees. "The battles are being won but not the war. This will go on for a very long time. While we know what we're up against at the moment, what will they think to take next?"

Christopher Price

Rugby Union/**John Hopkins**

Heavy hitters begin their final rehearsals

THE WONDER of seeing a rugby team from the Soviet Union play in England for the first time at Twickenham this afternoon is not that they can play rugby, because they play rugby quite well, thank you.

On a recent tour of New Zealand, the Soviets won four of their eight matches. No, the wonder is they are here at all. A couple of weeks ago they had no sponsor, no flight and no kit. None of this seemed very important at a time when tanks were surrounding the Russian parliament in Moscow.

But then the rugby season which gets underway today is far from being ordinary. It is the most momentous in the northern hemisphere since the breakaway that led to the founding of the rugby league.

The reason is the frenzied competition for the World Cup, which starts on October 3 when England meet New Zealand, the defending champions, at Twickenham. Sixteen countries will play 31 matches in England, Scotland, Wales, Ireland and France in the following 31 days.

It is going to be a dizzy time trying to keep track of it all and, as most games will be televised – in the UK on the ITV network – it is advisable to get your aerial checked and your video recorder in working order now.

This month, meanwhile, could be compared with the last moments before exams start. Preparations may or may not have gone well but they have at least gone. England's game against the Soviet Union, for example, comes after an eventful tour of Australia and Fiji. Ireland toured Namibia and Scotland have been to Romania. Australia and New Zealand competed for the Bledisloe cup.

Much of the attention is focused on England and not just because the trophy is named after William Webb Ellis and the final will be at Twickenham. Only a brave man would predict an England victory with its ageing forwards.

No one doubts the strike power of Rory Underwood and Jeremy Guscott or the leadership of Will Carling. Will England's forwards provide them with sufficient ball; indeed, will England's back row be mobile enough to cover the ground? Most of all, haven't too many of England's eight men and true passed their sell-by date?

There is a joke circulating in Wales to the effect that when new coach Alan Davies asked the Welsh players to take up their normal positions, they all trotted behind the goal line. They have been having a hard time, with only three wins in their last 21 internationals.

They lost again on Wednesday evening, their tenth successive defeat by France, this time by 22-9. Considering that Wales had lost their previous international by a cool 57 points and lost their previous game to France by a mere 33 points, a margin of 13 points represents a substantial improvement. Some of Wales's pride was restored. There was a commitment that had been missing in previous internationals, notably in the fantastic defeat by Australia in mid-summer.

Perhaps the most committed Welshman of all is Davies. "If we were all to die on October 10 and I had two last wishes, they would be that we beat Western Samoa and Argentina," he has said. "Everything the players do from now until then has to be focused on that. Every time we get up in the morning we must ask ourselves: 'What can we do today that will help beat Samoa and Argentina? Life after the World Cup does not, cannot, exist.'"

Ireland toured Namibia and lost both matches. They face a combined club team this afternoon, an attempt, said one one wag, to make sure they win *something* before the start of the World Cup.

Scotland, having lost to Romania in Bucharest a week ago, will play the Barbarians at Murrayfield. Scotland, master-minded by Ian McGeechan, the best rugby coach in Britain, have a real possibility of reaching the final and providing they keep winning their matches they will play at Murrayfield until the final.

When all is said and done, though, the anticipated Australia and New Zealand semi-final in Ireland on Sunday, October 27, could be the match that provides the winner. New Zealand retained the Bledisloe Cup recently with a doughty performance in Auckland. Australia are the narrow favourites.

For the moment, nothing else matters in rugby beyond the World Cup – not the divisional championships, the leagues or anything else. If that is a worrying prospect, then just think: there is still the international championship to come after Christmas.

Motoring/**Stuart Marshall**

Peugeot puts its nose through the shop window

WHEN INTRODUCED eight years ago the Peugeot 205 became an instant success and it is still a best seller. Now comes the 106, which makes its debut at Frankfurt Show next week and promises to do for Peugeot in the 1990s what the 205 did in the 80s.

The 106 looks a proper little Peugeot, with styling likely to be as time defying as the 205's has been. It is about 3 in inches (7 cm) shorter than the 205 but so roomy inside that Peugeot claims it is more spacious than many of its class rivals. But which class?

The biggest surprise about the 106 is that it is not reckoned to be the 205's baby brother, nor a rival to the Citröen AX from the other branch of the PSA family. Peugeot calls it a B-class car. That makes it a direct competitor for the 205, which will stay in production for another year or two, as well as cars such as the Ford Fiesta, Fiat Uno and Renault Clio.

The 106 goes on sale in France next week but British buyers will have to wait until later this year. They will, I understand, find it little if any cheaper than the 205 though specifications and prices have not been finalised.

At its launch there are four 106 models – XN, XR, XT and XSi - with four equipment levels. All are 3-door hatchbacks. The XN entry model has a 954 cc, 45 horsepower engine and the top performing XSi, a fuel injected 1360 cc unit producing 100 horsepower. In between are 1124 cc (60 hp) and 1360 cc (75 hp) versions.

At present there are no diesels in the line-up although their introduction can only be a matter of time. One in four 205s sold is a diesel and PSA will not let its dominance of this niche slip away. Five-door 106s will follow quite quickly but there are no plans for either power-assisted steering nor automatic transmission. This will please Renault, whose Clio can be had with both, and may disappoint mainly urban motorists for whom a nicely furnished 106 would otherwise be ideal.

Peugeot people say the steering is so light that power assistance is unnecessary. I will not know if they are right until I get my first drive in a 106 in a few weeks time. Then I shall find out if Peugeot's other claims stand up.

But, having sat in a couple of 106s, I can vouch for their remarkably roomy interiors. When the tilt and slide front seats are moved to let people in and out of the back, they return automatically to their original position. The doors are so big I can foresee problems in crowded car parks but they close with a nice, solid clunk. As for ride and handling, I shall be surprised if a car with the 106's heritage and very long wheelbase isn't well above class average.

Frankfurt is the German motor industry's shop window as well as Europe's most important automotive show. This year, as there are no lorries to share space, firms such as Mercedes-Benz are taking entire halls to themselves to display their latest cars.

Among them is the first four-seat Mercedes-Benz convertible for 20 years. It is based on the 220 horsepower 300CE-24 coupé and has automatically triggered roll-over safety bars. They flip up instantly to protect occupants if sensors detect the car might be going to overturn in a crash. Only 5,500 will be made each year and Britain will not see it before the end of 1992.

BMW will be showing three new estate-type Touring models – the 316i, 5-Series and M5. It will also unveil a new generation of diesel engines, an electric car study, a new four-wheel drive system and an active suspension package for its V12 engined 850i sporting coupe.

Nearly two years after the Citröen XM saloon was introduced, a large capacity estate car version will be shown for the first time at Frankfurt. Judging by the large number of CX estates one sees on mainland Europe roads, there must be a considerable pent-up demand for the load-carrying XM, especially as there is not going to be any competition from a Peugeot 605 estate.

Renault, which only recently face-lifted its fashionable Espace multi-purpose vehicle, will be showing the shape of its eventual successor.

A new arrival in the Peugeot family (top left) is the 106. Though shorter than the 205 it has a roomy interior and Peugeot sees it as a direct competitor. The 300 CE-24 (bottom left) is the first 4-seat convertible from Mercedes-Benz in 20 years. Safety features include automatic roll-over protection bars. Two years after the saloon was introduced, Citröen has added this large capacity estate car (top right) to the XM range. Renault's Scenic (bottom right) is not a just a space age styling fantasy. One day it could be a Renault Espace replacement.

Although the Renault Scenic is called "an operational concept car", it is more than a curvaceous styling study for an Espace replacement.

It has a 2-litre, multi-valve engine, full-time four-wheel drive and a wedge-nosed body with sliding doors. Also featured are a driver drowsiness detector, which should be invaluable after a three-hour lunch in some Michelin-starred restaurant, and an electronic keyboard replacing the automatic transmission selector lever. Renault says that if the keyboard's computer "mouse" is removed, the Scenic is protected from theft. So the next generation of car thieves will have to be be computer hackers as well as window and steering lock smashers.

Another significant Frankfurt exhibit is the new Honda Civic VEi, which goes on sale in Britain in December. Its 1.5 litre, multi-valve 4-cylinder engine is claimed to offer diesel economy with petrol power and refinement. In urban conditions, it achieves 42.2 mpg (6.6 l/100km).

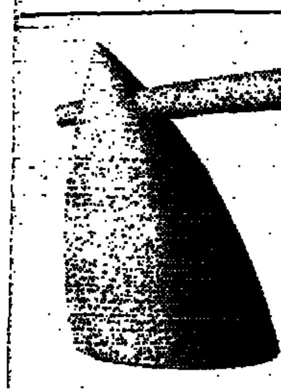
Lean-burn (mixing extra air with the petrol) reduces consumption. But until now nitrogen oxide emissions from lean burn petrol engines have been unacceptably high. Honda has overcome the problem by drawing on its Formula One racing experience to improve combustion inside the cylinder by, among other things, varying valve timing and lift.

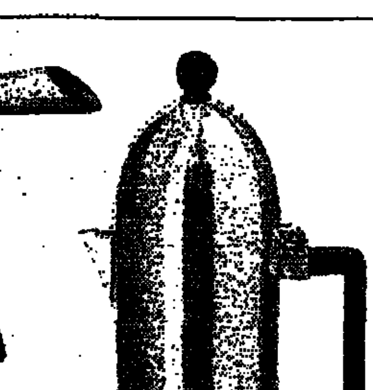
The Civic is one of several new Japanese cars being unveiled at Frankfurt. Others are Toyota's executive-class Camry replacement and a significant new car from Mazda.

HOW TO SPEND IT

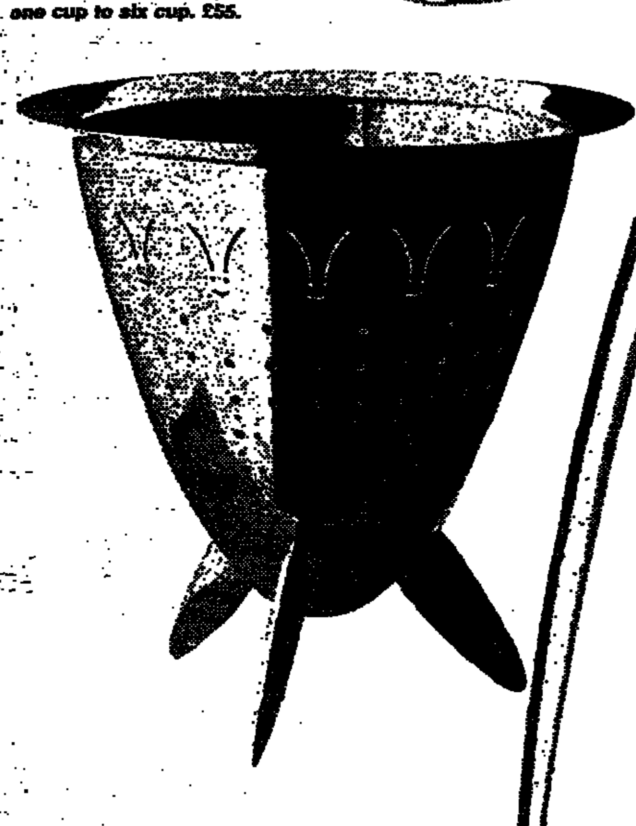
If you can stand the heat

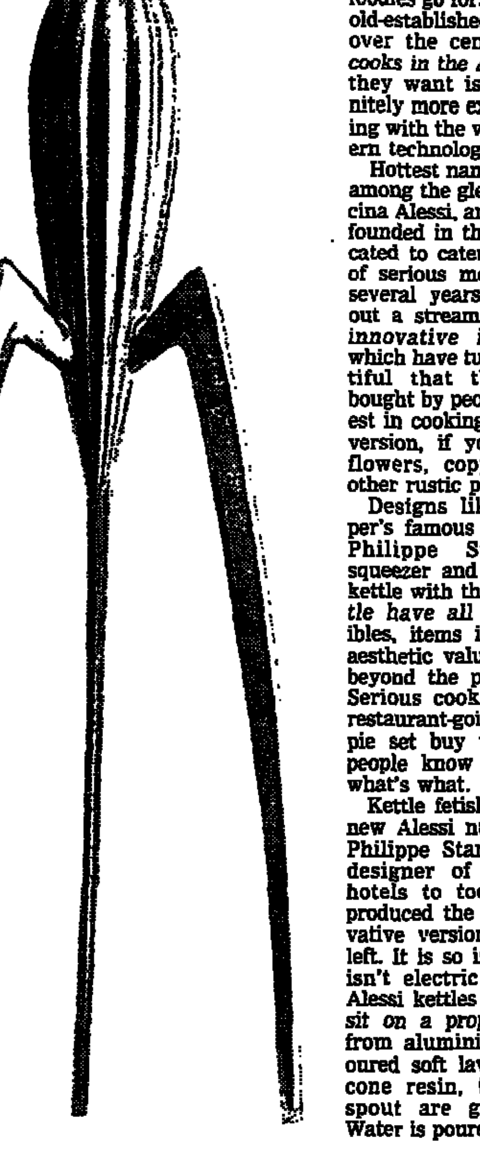
. . . then the contemporary designer kitchen is the hottest place to be, reports ***Lucia van der Post***





Above, Philippe Starck's soft lavender aluminium casting *kettle*, with pale *blue spout*. £99. Right, Aldo Rossi's espresso coffee maker for Alessi – with a black or blue polyamide handle and knob, it comes in three sizes, from *one cup to six cup*. £55.





Above, giant stainless steel "Max Le Chinois" colander designed by Philippe Starck for Alessi. £150.
Right, Philippe Starck's sculptural lemon squeezer, also for Alessi, £36.50.
Alessi products can be bought from *Geoffrey Drayton Interiors*, 503 Butlers Wharf, 45 Curley Street, London SE1 2 ND (he will do mail order) and from Maison, 917 Fulham Road, London SW6, and from The Conran Shop, 81 Fulham Road, London SW3.

WHEN IT comes to contemporary icons for the serious cook the prevailing aesthetic seems to be changing. Strewn about the fashionable kitchen these days are not the pottery jars, wooden spoons and sweet little Provençale dishes beloved of Sir Terence Conran and Elizabeth David. The kitchen of the 90s *gleams*. Shining stainless steel – whether newly fashioned by top-ranking modern designers or rescued from industrial oblivion by a discerning eye, that is what 90s foodies go for. Not for them the old-established vessels evolved over the centuries by rustic *cooks in the Ardennes – what* they want is something infinitely more exciting, smouldering with the white heat of modern technology.

Hottest name in kitchenware among the gleaming set is Officina Alessi, an Italian company founded in the 1920s and dedicated to catering to the needs of serious modern cooks. For several years it has bringing out a stream of exciting and *innovative ideas, many of* which have turned out so beautiful that they have been bought by people with no interest in cooking at all – the 90s version, if you like, of dried flowers, copper kettles and other rustic props.

Designs like Richard Sapper's famous whistling kettle, Philippe Starck's lemon squeezer and Michael Graves' kettle with the little bird whis*tle have all become collect*ibles, items invested with an aesthetic value that goes way beyond the purely functional. Serious cooks use them; the restaurant-going no-cook Yuppie set buy them just to let people know that they know what's what.

Kettle fetishists now have a new Alessi number to buy – Philippe Starck, current hot designer of anything from hotels to toothbrushes, has produced the stunningly innovative version shown top far left. It is so innovative that it isn't electric – like all the Alessi kettles it is designed to *sit on* a *proper range. Made* from aluminium casting coloured soft lavender by a silicone resin, the handle and spout are grey Polyamide. Water is poured in through the wide end and out through the narrow end.

Philippe Starck has this extraordinary gift for rethinking traditional, everyday objects and investing them with a touch of magic. Take, for instance, the aluminium lemon squeezer shown left – it not only functions perfectly as a lemon or orange squeezer but, like the stainless steel colander photographed far left, it *is sensationally arresting to* look at. (Remember to wash it after using it: lemon juice can corrode.)

Just as Alessi has got hooked on kettles, so it seems to have something of an obsession with coffee pots. There are several designs – the Espresso machine photographed makes coffee using the traditional method but looks modern and streamlined while doing so. *Designed by Aldo Rossi, that* other staple star of the Alessi stable, it is the sort of coffee pot that foodies will be happy to leave lying around.

When serious cooks aren't buying the latest from Alessi they are scouring the professional caterers' shops. Frank Sawkins, for example, chairman and chief designer of Czech & Speake, the fragrance and bathroom company, is sold *on his industrial cooker*, Moorwood Vulcan's MasterChef.

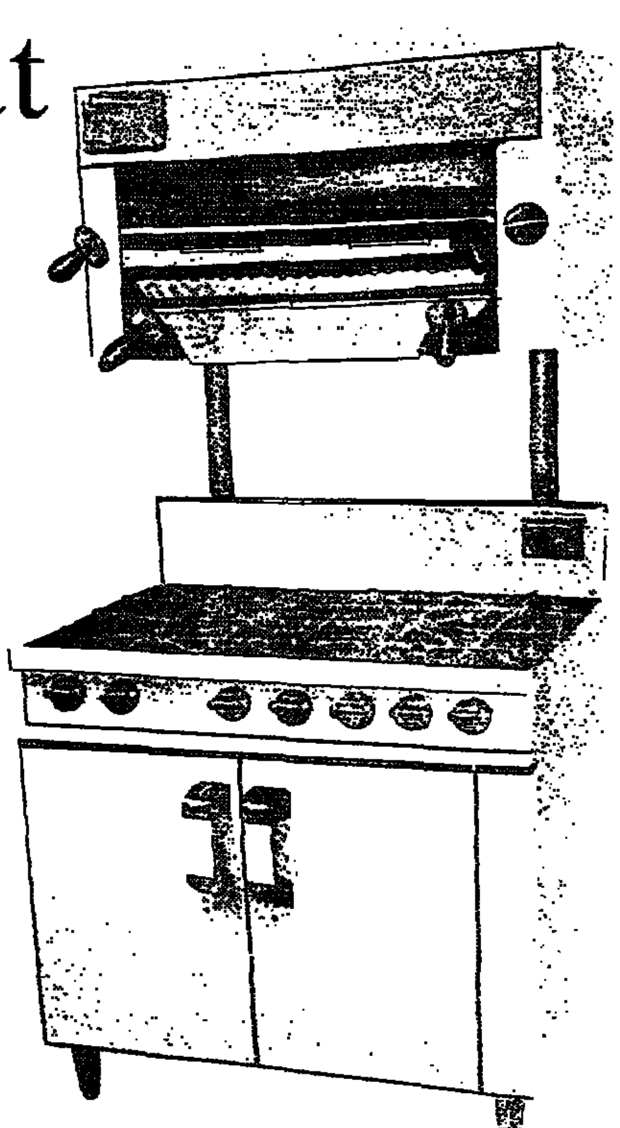
"There is something pure and wholesome about professional equipment," he says. "In its own way, I think it is quite beautiful. I'm not a great Aga cooker fan myself – I prefer the straightforward steel and black cast-iron industrial look of the MasterChef. It has no cocktail graphics or funny little go-faster stripes on the side like some other cookers.

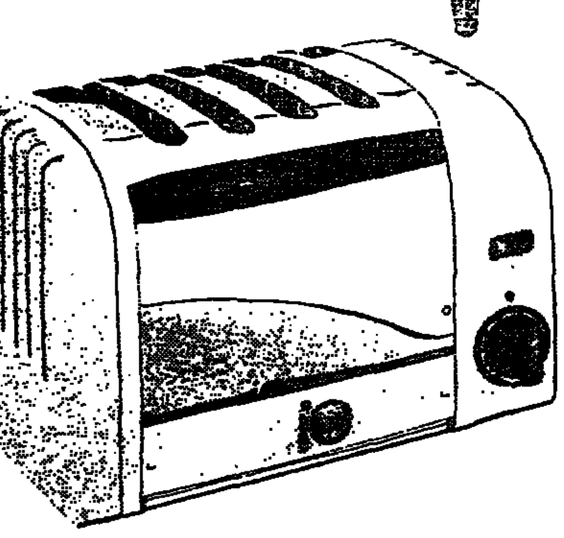
"I'm interested in cooking and this cooker is very robust, very big with a much deeper oven than you'd find on a domestic model. The individual hobs are large and cooking large amounts suits my style if not my figure. I like gas and this has a wonderful simmer control. It has a salamander which means you can can get an enormous amount of heat for very short periods – just what you need for crême brulée.

"The grill is also wonderful for grilling fresh fish very quickly and I make great pizza by putting quarry tiles in the bottom of the oven on which I produce a fine crusty base. Finally, the MasterChef is British, which I like and it is easy *to clean and will last for years.* BUT, there is a downside – it uses as many BTUs as a domestic hot-water system so it is very expensive to run."

It is also expensive to buy, at £2,289.69 for the 6 burner model sketched top right, but as so many restaurants are going out of business at the moment you should be able to find one second-hand by scouring the *Industrial Exchange & Mart.*

Finally, forget matt-black, the toaster that the design cognoscenti turn to every morning is the Dualit, whose chief claim to fame is that it has scarcely changed in 35 years. "We never saw the need to change it much," says the company. Quite right. Leave it as it is. The four-slice model is the one to go for – £105.95.





Sketched top right is Moorwood Vulcan's MasterChef, an industrial cooker aimed at the catering market but much sought-after by serious private cooks. In *stainless steel and cast-iron*, it comes in two sizes – four-burner and six-burner and with or without a grill. As sketched here, with six burners and a double grill, it costs £2,495 plus 17 per cent VAT. Moorwood Vulcan is at Green Lane, Ecclesfield, Sheffield S30 3ZY. Tel: 0742-570100. Sketched right is the Dualit four-slice toaster. *The design has been hardly* changed for some 35 years and it works as well as ever it did. £105.95 from S. Ferrari & Sons (Soho), 60 Wardour Street, London W1.

GARDENING

In praise of penstemons

***Arthur Hellyer** hopes to see new demand for an old favourite*

DURING THE first 50 years of this century, penstemons were among the most popular of summer-flowering plants. They were widely used for summer display and the large-flowered varieties were also popular for exhibition. During August and September, cuttings were taken and rooted in frames and were either overwintered in them or, when well-rooted, were moved into other frames in which they could be given more room and allowed to grow on slowly *until* the spring, *when it was* safe to replant them outdoors.

All these penstemons were on the border-line of hardiness, some just hardy, except in exceptionally cold years or difficult places, some sufficiently tender not to be trustworthy without protection, except when the weather was mild or the situation favourable.

These penstemons covered a considerable range of pinks, reds *and* purples, many *with* white throats to their tubular flowers, some with white outside as well, and just a few that were all white. They varied in flower size but most were 18 to 24 in high, some even more.

Most of these varieties, with the exception of a few of the hardiest, such as Evelyn and Garnet, went out of fashion after the Second World War, when some of the companies *that had specialised in them* went out of business or changed to other specialities. Gradually the seedsmen stepped in, producing seed strains of penstemons, which filled some, but by no means all, the gaps left by the lack of interest in the more expensively maintained varieties propagated by cuttings.

They still continue to be grown and there have been several trials of these seed-raised penstemons in the Royal Horticultural Society's garden at Wisley, Surrey, but nothing on the scale of the trial of old "named" varieties grown in the old-fashioned way from cuttings, which is being held at Wisley this year and will continue through the winter and during next spring and summer to find out just how hardy (or tender) the plants are.

It is an interesting trial for many reasons. For one thing, it reveals how many of the old varieties still exist, and how many of the stocks that are still around have acquired wrong names during the years *of neglect. There are many* reasons why this happens, most of them quite accidental. Name-tallies get lost, are erased or are mixed up. Gardeners supply plants with the most likely names they can remember, which may not be the correct ones, or simply give them names for use in their own gardens and then discover that other people have copied them.

Whatever the explanation, the Wisley *trial* is *remarkable* for two things: one, the number of identical varieties, not always under the same name, that have been sent in from many different sources, and the other, the number of names that have been used for quite dissimilar plants. The judges are having a field-day, sometimes quite literally so, since it can take hours to examine so many plants *closely and to attempt to sort* out the confusion.

The resident botanist at Wisley is in frequent demand to give his opinion about varieties bearing dissimilar names, which nevertheless seem to be identical, or, alternatively, have the same name but seem to be different. Botanists do not usually have special knowledge of garden varieties, but they are expert in noting very minute variations which, if regularly repeated, indicate the plants are not identical and may indeed belong to two or more varieties.

It may not prove possible to solve all the problems but it is already certain that it will settle many of them, and that the three permanent "National Collections" of penstemons should be able to give much better, more accurate, guidance in future. Garden penstemons divide roughly into large-flowered and small-flowered varieties, and one of the National Collections, held at Rowallane House, *Saintfield,* Ballynahinch, Co Down, Northern Ireland, a National Trust property, is for large-flowered varieties only. The other two collections are *at the National* Trust for Scotland property, Threave School of Gardening, Castle Douglas, Dumfries and Galloway, and at the Dorset College of Agriculture, Kingston *Maurward, Dorchester,* Dorset. Each is charged with the task of keeping its collection going and making it available to all those interested in the plants.

I hope that one of the *useful* results of all these activities will be that there will be renewed demand for many of these fine old plants and that – really more important – there will probably be renewed interest in breeding new ones. The trouble about old plants that are increased solely by vegetative means, such as cut*tings, layers and divisions,* is that in time they usually run out of vitality.

They may still remain interesting as antiquities, but they are no longer in the front rank as *vigorous, fully viable garden* plants. This is only true of vegetatively propagated plants. Those that are grown from seed are constantly being renewed, since each seedling, however like its companions, is an entirely new individual, and so the problem of ageing does not arise in the same degree. Unfortunately, with seedlings uniformity cannot be guaranteed, even with F1 hybrids.

PLANT OF THE WEEK

(Aster frikartii)

THIS IS a hybrid between Aster amellus A. thompsonii and is a Michaelmas daisy with a difference; a stiffly branched plant that requires no support and is about 2½ ft high and as much in diameter. The flowers are 2 to 2½ inches across, single and a *strong* lavender blue produced over a long season from July until October. There are also two fine varieties of this hybrid, one named Mönch and the other Wunder von Stäfa which differ slightly in habit and precise shade of colour although there is some confusion about the application of these two names. All will grow in fertile, well-drained soil and open position and are best divided in spring every three or four years. *AH*

Autumnal art for the dedicated dead-headers

***Robin Lane Fox** thinks artful gardening begins with clematis*

IN AUTUMN, thoughtful gardeners regain the initiative. Earlier in the summer, almost anyone can masquerade as an artist. In late June, old-fashioned roses are an open secret; flowers are everywhere and if in doubt, you can always go for a scented philadelphus. In September, the gaps begin to show. It takes art and knowledge to exploit the next six weeks. I am still learning to be artful, but here is a progress report.

Artful gardening in autumn should begin with clematis. We all put them where they least like to grow, up walls where the flowerbeds are much too dry. In gardens, as in nature, a clematis is happier growing *through a companion or* spreading along the ground.

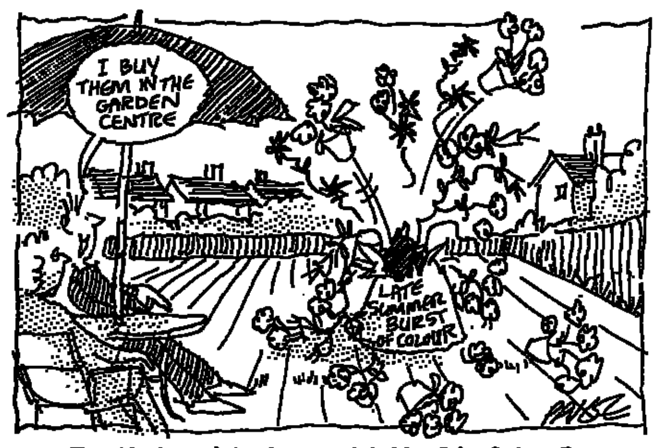
I have now learnt to give them their head. I have white clematis on spring-flowering viburnums, reds preparing to climb up lilacs and dark mauves and blues on the leaves of early shrub roses. Both parties are happy with the marriage and my vision of shrubs at this season has changed.

Viburnums cease to be green-grey nonentities: they seem to be flowering in white, thanks to the excellent white viticella clematis called alba luxurians. Up a standard lilac, the red Mme Eduard Andre has made a spiral of flower, trained on a circle of wire netting.

One of the favourite varieties for scrambling and twining is the deep violet-blue durandii which is creeping happily over a weigela. Every one of these clematis was on sale in the local garden centres among the usual forms with flowers like cartwheels.

More customers ought to think of planting them near their shrubs and pruning them hard in early spring. They could then look further afield for the connoisseurs' choice in the family, the bell-shaped flowers on forms of the kiss-pink wild clematis from Texas. Etoile Rose is the best known texensis variety but others are good too, especially Sir William Lawrence. It is quite untrue that these texensis varieties *are difficult* or *that they dislike* direct sunlight.

This artful draping starts by changing the garden's framework: everything seems to flower again, in a different *style and colour. It depends on* two simple tricks. The clematis should be planted about a yard from the base of its host for the season. It should also be watered profusely, even more than you believe to be necessary. The ideal total is three gallons of water a week, too much for most of us. I now have a new pattern of present employment, walking from shrub to shrub in the half light, soaking each clematis with a can of water, thinking of nothing of any importance and knowing, for once, that I am doing good.



Beyond the clematis, much depends on what you choose and whether you have dead-headed earlier in the summer. Diligent dead-headers will be rewarded with a second flowering on phloxes and delphiniums, especially if they have fed them since July. As for the old roses, the same demands apply, but I much prefer the forms which definitely repeat the season. Dozens are said to do so, but few live up to the promise without fail.

My top three are all pink flowered: cup-shaped Louise Odier, the quilted flowers on Jacques Cartier and the lilac-pink Mrs John Laing. By now, black spot has stripped many of their leaves, but these particular roses are flowering again. Why bother with the others as a first choice if they will only flower for a fortnight?

Elsewhere, the real excitement lies in the expansion of plant-findable shrubs and new-ish half-hardy bedding plants. Unfortunately, they are a tangle of complicated names: perhaps they are the reason why other people stick to dahlias.

Blue ceratostigma and caryopteris are enough of a mouthful, but you need to mix them with red and dusky pink phygelius, scarlet zauschneira, purple lespedeza and woolly blue perovskia. They are enough to sink non-botanists without trace, but they have all changed autumn's horizons, bringing a depth of red and blue to what risked being an interlude before the stale pink Michaelmas daisies.

Above all, art shows in the greater choice of half-hardy plants for bedding. By September, traditional annuals have had their day, unless you are fond of the stronger sorts of petunia. Instead, the half-hardy perennials are going strong, verbenas, penstemons and half-hardy salvias.

The hard facts of a British winter usually kills them off, but cuttings are easily taken first and a few stock plants can be potted up and saved indoors. The prizes here are high, along with white and yellow daisies, silver leaves and late-flowering forms of fuchsia.

If I was starting again from scratch, I would weight a border's planting to May and June, rely on shrub roses until mid-July, drape them in late clematis, cut down the early flowers and fill the gaps with these half-hardy bedders. Ten years ago, my ideas of autumn were much more limited, but the usual weather makes it too lovely to be left to chrysanthemums. In gardening, too, the art is changing and it is up to us to advance the frontiers.

TRAVEL

Wildlife: FT writers report from Botswana and the Galapagos islands, while a third sings the praises of photo-safaris

A sophisticate goes bush

THE HOUR between 4am and 5am is when life burns at its lowest flame and the silence of the bush is total.

That was the time I chose to do sentry duty over our party of campers sleeping out in the veld: stoke the fire, watch for eyes that glint in the dark, listen for the sounds of danger. I heard and saw nothing. All I felt was the cold stabbing through multiple layers of clothing. When my watch ended, I crawled back to sleep, savouring my self-image as intrepid adventurer on the trail in Africa.

Altogether, we were eight brave souls on trek in the Mashatu game reserve which borders the bone-dry Limpopo river in Botswana. We were shepherded through the bush on foot by Johannes, an old Tswana tracker who carried a panga – for reasons known to himself, as it would scarcely have daunted Mashatu's large population of elephants.

Barry, our 24-year-old South African ranger, provided information, entertainment, food, sundowners, jokes and the security of a gun.

Ranged like sausage rolls along a ground sheet under the stars, we slept the sleep of the ignorant. At dawn, lone figures trudged off with loo roll and spade, and came back full of the joys of the early morning bush.

No-one noticed anything amiss until Johannes, the eyes and ears of the group, came stammering into camp, jumbling English and Afrikaans, to tell us that we had shared our campsite with two lionesses and five cubs. They had passed the night not 150 yards away, and fresh spoor revealed they had come to peer at us while we slept.

Johannes had discovered them while on his morning pilgrimage with the spade, his hands at his belt (as he gleefully told us). He quickly marshalled us to track them down.

When we found them, they were moving silently through the bush with the nonchalance which only lions can affect. We had not taken the truck because lions (inexplicably) fear man on foot more than vehicles; slowly, the seven stalked past us before settling down for another lazy day in the sun.

Luckily, we had few such close encounters. Indeed, as one of the teenagers in our group said, we spent a lot of time looking at trees as a substitute for wildlife. Speaking as someone who runs slowly, and cannot climb trees even when a black rhino is threatening me with extinction, I prefer the illusion of danger to the fact.

***Patti Waldmeir** has some close encounters on the African trail*

So the five-day Ivory Trail, run by Clive Walker and his Wilderness Trust in Botswana's arid Tuli block, suited me perfectly.

There was ample opportunity for titillation: several times we nearly stumbled on elephant cows and calves in thick bush; we passed a deadly black mamba snake, which took one look at us and disappeared down a hole in the ground; and when one of our party kicked what she thought was a dead puff adder, it moved away, affronted.

But most of our time was spent enjoying the pleasant stupor induced by the wild. We rose at 6am – most nights were spent at a base camp with tents and camp beds, a bucket shower, "long drop" loo and refrigerator for the alcoholics among us – and set off at 7am. That is not an hour of the day I normally study closely, but the pale tawny colours of the bush at dawn made it worth sacrificing sleep.

After driving along dirt tracks for an hour or so – wrapped in blankets against the deep chill – we trekked off after Johannes and Barry, picking burrs out of our socks every few yards. We tried to keep quiet, but few animals will wait around to be spotted by 10 humans crashing through the underbrush.

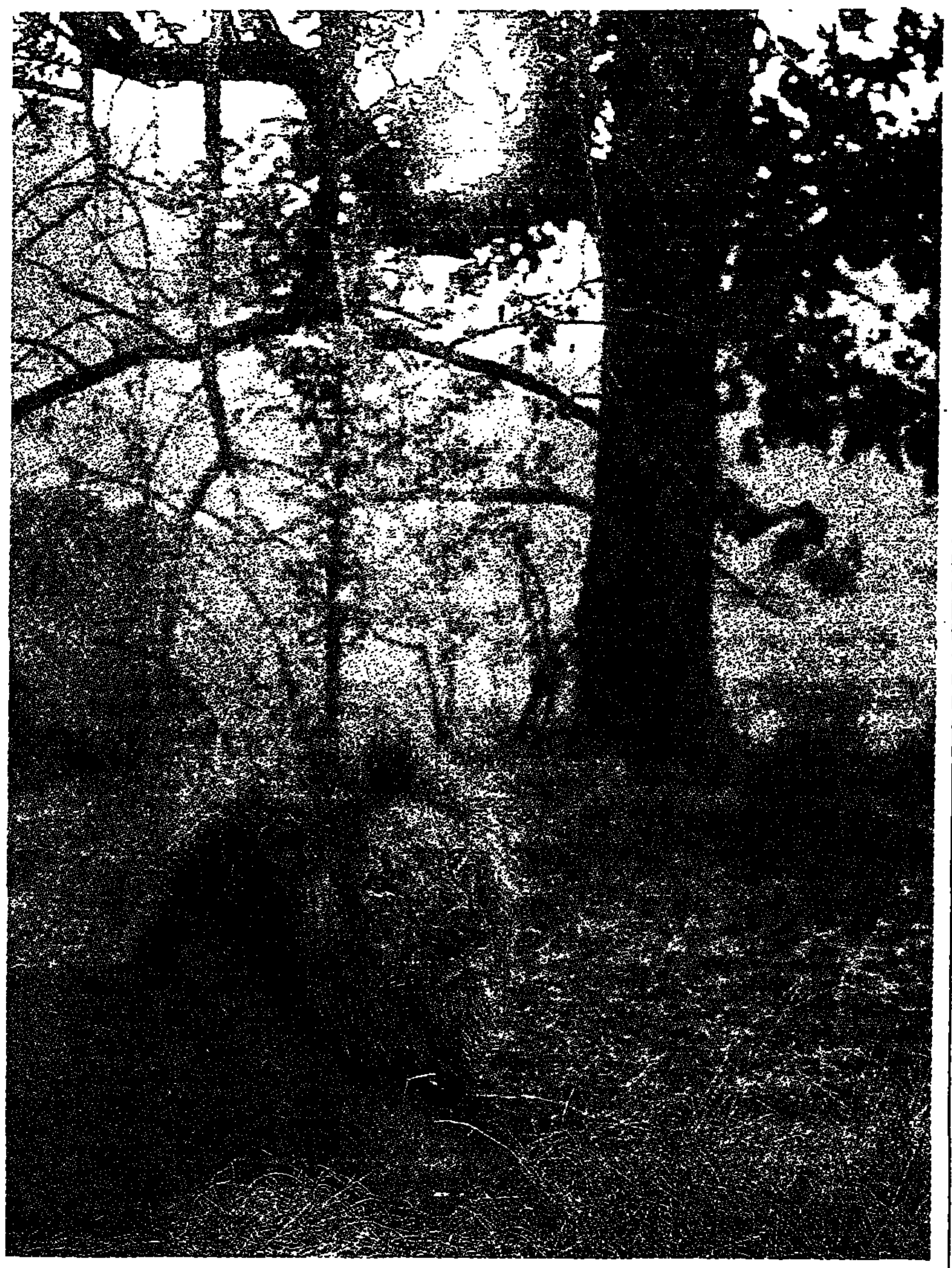
Occasionally, we glimpsed wildebeest through the trees, the tiny *steenbok*, always on its own, or a jackal in the distance. Once we watched while hundreds of impala raced and leapt past us, accompanied by a herd of galloping zebra and followed by a lone ostrich running like a cartoon road-runner.

One day, at dusk, we climbed a *kopje* to find 200 elephants browsing on the plain below. Barry said it was a "clan gathering" of several elephant families, but the food seemed to be the normal diet of dried grasses and acacia branches studded with 3-inch thorns which unaccountably slip straight through an elephant's digestive tract.

The rest of the time we were at leisure to enjoy the sudden scent of wild sage in a dry river bed; the tortured shapes of the bushveld, the chartreuse "fever" trees on riverbanks, the stunted water acacia with its vicious white thorns. Every day ended with the sharp chill of evening punctuating the warm dusk, the sound of the jackal's laughing bark – and the baboon's sharp complaint.

From our perch on top of a *kopje* at sunset, large quantities of red wine easily induced contemplation: of the awe, the majesty, the brutality of the bush. For the harassed or the worried, there can be no more total form of relaxation.

■ Contact: Clive Walker Trails, Johannesburg (011)-453-7645/6/7; fax: (011)-453-7649. Eight-person trails run from April to October, at a cost of R1795.00. With immediate effect, accommodation is to be upgraded, with traillists staying at the Mashatu camp, in luxury safari tents with en suite facilities and a plunge pool.



Nonchalance personified: a lazing lion in the African bush

For snap shooters

THERE IS a lot to be said for shooting wildlife with a camera. There are none of the problems of taking firearms across borders, you leave the animal or bird unharmed for other photographers to capture, and you are not lumbered with tiresome trophies. Moreover, you have the excuse of visiting some spectacular creatures you would not be allowed anywhere near with a gun.

For my first quarry I would choose the largest and one of the most dramatic land mammals, the African elephant, and would travel to the national parks of Chobe (Botswana), Hwange (Zimbabwe) or the Luangwa Valley (Zambia) where elephants can still be seen and photographed in sizeable herds.

These destinations also offer the possibility of going on foot to visit the giants, without doubt the best way of experiencing the African bush and one which adds excitement to the encounter. Ten days will generally cost from £1,730. Among numerous operators, you could start by trying Abercrombie and Kent, Art of Travel, Swan Hellenic or Twickers World.

Walking is the only way to reach the next animals on my list, the gorillas in Rwanda and Zaire. Although romping with them, Attenborough-fashion, is not allowed, just being close to them is a moving experience. From £1,475 for 24 days (with up to four days with the gorillas) or from £850 for four days as a safari extension, try A&K, Twickers World or Wildlife Safari.

The orang utan, found in the primary forests of Sabah (Borneo), is another of the great apes to see. A good place to photograph them is the Sepilok sanctuary near Sandakan. From £1,400 for 14 days.

While in the east it would be worth looking for the largest of the cats, the tiger. In Corbett and Ranthambhor national parks (India) and Chitwan national park (Nepal), searches for tigers are carried out from the backs of elephants and it is difficult to think of a more exciting way of seeing them. 15 days will cost around £1,800 with Cox and Kings or Twickers World.

Australia's wildlife, while spread quite thinly on the mainland, is often concentrated on its islands. I would go to Tasmania for eastern grey kangaroos, Bennetts wallabies, Tasmanian devils and a host of smaller creatures, while Kangaroo island, South Australia, is excellent for koalas and very approachable Australian sea-lions. Trips to both are led by professional naturalists. Tasmania will cost about £670 for seven days from Melbourne with Australis, while Kangaroo island can be explored with Adventure Charters – £376 for four days from Adelaide.

The wildlife on the North American continent is often Disneyesque in its accessibility and confiding nature. National parks like Yellowstone (US) and Banff and Jasper (Canada) have populations of elk, moose, grizzly and black bears which, together with Yellowstone's bison, are frequently seen at the roadside.

Travelling in North America is very simple and I would take a fly-drive – a pre-planned one visiting the above parks will cost from £1.500 for three weeks with British Airway's Poundstretcher.

Simply to experience the beauty of Alaska and the Canadian Arctic will be enough for most people, but for the wildlife photographer Churchill during the autumn polar bear migration is the prime site, where specially-designed Tundra Buggies allow you to photograph these large carnivores in safety. Ten days here will cost around £1,650 with Arctic Experience.

There are numerous whale-watching cruises available in North America. Vancouver Island is especially good for orcas (killer whales), and bold visitors can kayak among the pods of whales there. Further south, off Baja, California, there are opportunities to see grey, finback, blue, humpback and killer whales, often from an inflatable dinghy, during January-March. For the northern whales, Arctic Experience offers 14 days for a little over £1,800, while for the same price you can get 10 days of whales off Baja with Cox and Kings and Twickers World.

For sheer numbers of wildlife all in one place, though, East Africa must win the prize with jewels like Kenya's Masai Mara game reserve, which is joined across the Tanzanian border with the Serengeti national park. Among other species, you stand a good chance of photographing lion, leopard, elephant, buffalo, and, if you are there for the migration, a mass of wildebeest.

Not to be missed is the Ngorongoro crater in the Serengeti, while Kenya's Samburu game reserve offers that little extra for the discerning photographer. A 12-day safari will cost from £1,500; try Abercrombie & Kent, Twickers World, Swan Hellenic, Art of Travel or Wildlife Safari.

■ Abercrombie & Kent: tel: 071-730-9600, fax: 071-730-9376. Adventure Charters, Kangaroo Island: tel: 010-61-848-33140, fax: 010-61-848-33282.

Arctic Experience: tel: 0737-362321, fax: 0737-362341. Art Of Travel: tel: 071-738-2038, fax: 071-924-3661.

Australis (Melbourne): tel: 010-613-712-0352, fax: 010-613-712-0633.

British Airways Speedbird and Poundstretcher: tel: 0293-518022. Cox and Kings: tel: 071-834-7472, fax: 071-630-6038. (This company runs holidays devoted to wildlife photography and led by well-known natural history photographers such as Bob Gibbons and Heather Angel).

Swan Hellenic: tel: 071-831-1616, fax: 071-831-1280. Twickers World: tel: 081-892-8164, fax: 081-892-8061. Wildlife Safari: tel: 0737-223903, fax: 0737-241102.

Michael J Woods

The Galapagos: tamely in Fernando's footsteps

SIX HUNDRED miles off the Pacific coast of Ecuador lie the darkly volcanic islands of the Galapagos. They used to be called the Enchanted Islands, so named by a Bishop of Panama who discovered them accidentally after drifting off course in a storm. In a letter to the King of Spain he described the giant tortoises (*galapago* in Spanish) he had found there. Just under 300 years later Charles Darwin, the Galapagos' most famous visitor, arrived on the *Beagle* and stayed five weeks, working on his theory of evolution.

Ten thousand people live there today, but the islands – 13 large, six small, and innumerable islets – have retained an innocence which the Ecuadorian government is doing its best to preserve by attempting to control tourism.

Visitors are only allowed to go ashore with a qualified guide and have to keep to well-marked paths. But you can swim with the sea lions and the world's second smallest penguin, and bird-watchers are in their element: there are 58 resident species, of which 28 are endemic to the Galapagos.

We flew from Quito to the tiny island of Baltra and then transferred to the 1,500-ton, 90-passenger *MV Santa Cruz*, our home for the next three days. On board, Fernando, our Ecuadorian guide, handed us the Galapagos National Park's strict conservation rules and a small linen bag to accommodate any rubbish we might spot as we traipsed around. To keep to a maximum of 20 visitors per guide, passengers were divided into groups called albatrosses, boobies, cormorants, dolphins and frigate birds.

We landed on different islands each day in rubber dinghies called *pangas* and on North Seymour had our first sight of the barren landscape, giant prickly pear cactus and silvery white bare-branched *palo santo* trees so typical of the islands.

Here, too, was a colony of frigate birds with brilliant red mating pouches that they inflate like balloons to woo females cruising overhead. One never ceased to be surprised at the tameness of the wildlife. As we waited for the *panga* to take us back to the ship, two swallow-tailed gulls mated unconcernedly just a few yards away and glistening Sally Lightfoot crabs scrambled over the black basalt rocks.

On Bartolome island we walked through a lava landscape and Fernando, who never wore shoes on shore, however burning hot or spiky the ground, explained the formation of the cratered landscape by borrowing someone's sun hat and drawing pictures around it in the loose black soil.

Any questions? None of us had, and Fernando seemed cross at having such a sleepy group. Later we watched sealion pups playing in the waves and slender lava lizards scurrying across the sand. On Tower island we found blue-footed boobies with their startling pale blue feet, one of Darwin's 13 finches and rare lava herons. "There are 100 of these herons in the whole world," said Fernando, "and you are looking at four of them."

In the heat of the afternoon, a sealion slumbered in the shade of mangrove roots; later, in the cool of early evening, we sat by the edge of the sea while great frigate birds, like black embers from a dying fire, drifted overhead.

There are five volcanoes and a cobalt blue salt lake crater named after Darwin on Isabela, the largest of the islands. A sandy trail through honey-scented yellow-flowered cordia bushes led us to a view of dark craters in lava fields that stretched forever.

In Tagus cove early whalers had scratched the still visible names of their ships on the rocks, and it was here that we spotted a Galapagos penguin and an iguana that had lost its tail to a playful sealion but would be able, we were told, to grow two more.

These marine iguanas, sometimes 4 ft long and the only sea-going lizard in the world, covered the rocks on Fernandina island. They are like tiny dinosaurs with black-and-pink scaly skins,

***Angela Wigglesworth** strolls among the blue-footed boobies on the isles of evolution*

long tails, spiky manes, strong claws and glittery little eyes. "Hideous looking creatures," Darwin called them.

Fernando would permit no straggling. "This way, cormorants," he would call, and we followed him over black lava coiled like frozen rope to see turtles swimming, sea-lions barking and two flightless cormorants – the only place in the world they are found – preening themselves on the rocks.

The best place to see the giant 500 lbs tortoises for which the islands are famous is at the Charles Darwin research station on Santa Cruz. The animals, big enough for a man to ride on and the only animal in the Galapagos you can touch, are being bred here and re-introduced into the wild because thousands were killed for food by 18th and 19th century whalers.

"It seemed as though stones had rained over the earth," was how the first bishop described the Galapagos. Much has changed on the islands since that time, and international conservationists are concerned that tourists, who pay $40 (£24) each to land, will soon destroy the islands' unique qualities. "If only the innocence of the Galapagos could be transferred to man," one passenger wrote wistfully in the *Santa Cruz*'s visitors' book.

Back on the mainland, we spent a few days in and around Quito, Ecuador's capital, 9,300 ft high and stretching over a great plateau surrounded by snow-topped Andean mountains. You need time to adjust to this kind of altitude. The best way to cope with breathing problems and headaches is to take it easy for the first few days (plus a few aspirins), for Quito is a city well worth being well enough to enjoy. It has ornate churches and cobbled streets, palaces, plazas filled with trees and flowers, blue-balconied colonial-style houses and the street music of haunting pipes played in sunny squares.

Quito's altitude gives it the climate of a warm spring, despite its closeness to the equator only 15 miles away. At the equatorial monument there you can stand with one foot in each hemisphere.

The *autoferro* is a kind of bus that runs from Quito to Riobamba on a single-gauge rail track following the ancient route of the Incas. Passengers travel inside and a few, from choice in our case, on the roof. Our driver read his newspaper over the steering wheel and hooted his way through the forests of the Avenue of the Volcanoes, scattering people, cows, donkeys and llamas off the track while dogs raced alongside like greyhounds chasing a hare. We had a couple of unscheduled stops: the driver's mate got off to catch a chicken and we all got off to help shift a truck stuck across the track.

We rattled past damp forests, blue-grey eucalyptus and white-trumpeted datura trees, fields of white feathery grass and flashes of scarlet flowers. On our right glittered the cone-shaped, snow-topped Cotapaxi, at 20,000 ft the highest active volcano in the world – on three occasions it has destroyed the town of Latacunga beneath it.

At a small Sunday-quiet town we stopped to see a carpet-maker demonstrate his craft and in Latacunga's huge market watched old women in tall hats sitting among melons and pineapples, shelling peas and beans and popping live chicks into paper bags.

At Banos, the nearest we got to the jungle, old men took photographs with black-box cameras and sold ice creams in wicker baskets covered with newspapers. On street corners, women boiled eggs and sweetcorn on charcoal stoves and in tiny shops, young boys threw long creamy skeins of soft sugar cane against a wall to make toffee.

■ Angela Wigglesworth flew with Lufthansa and was a guest of Bales Tours, which offers escorted tours to Ecuador and the Galapagos from £2,195, and independent 14-day Galapagos cruises from £1,695. Bales runs plenty of other trips to South America. Bales House, Barrington Road, Dorking, Surrey, tel: 0306-76881. Lufthansa has twice-weekly flights, London-Quito, from £754 return.

■ Health: there are no compulsory requirements for Ecuador but vaccinations against yellow fever and typhoid, plus a course of malaria tablets, is recommended. Because of Ecuador's high altitudes, travellers with heart conditions or high blood pressure should check with their doctors first.

■ Useful reading: *Ecuador and the Galapagos – A Travel Survival Kit*, by Rob Rachowiecki, published by Lonely Planet, £6.95.

Homes where the grass is greener

***John Brennan** reports on the boom-bust market in golf course properties*

THE majority of the 1,900 club courses in Britain were completed by the 1920s. There were few counterparts to the late Victorian and Edwardian golf course developers in the mid-or post-war years and little commercial interest in greens and club-houses until the end of the 1980s. Since then, however, there has been an avalanche of planning applications for the change-of-use of surplus farmland and country house parks into chic golf centres, followed by widespread inactivity as many of these schemes have run into the buffers of recession.

A few years ago The Royal and Ancient Golf Club of St Andrews, Scotland, spiritual home of the putting and driving classes, warned that so many golfers were chasing so few club places that Britain needed at least another 700 new courses in the 1990s to satisfy existing demand for the game.

That is more new golf facilities in ten years than have been added to the country's course lists in the past century. However, a combination of the slump in agricultural revenues and land values, planners' evident enthusiasm for developments that merely re-shape rather than cover open space, and an universal passion among banks and other funding groups not to miss out on the leisure property boom inspired developers aplenty.

Would-be golf course builders became so active that the leisure development staff of surveyors Strutt & Parker warned of an imminent oversupply. By tracking planning applications the surveyors concluded that the proposed new-building rate in the south east of England would reach and pass the Royal & Ancient's estimates of course demand by the mid-1990s.

Then the economic downturn solved the supply risk. A series of fundraising schemes involving the issuing of member debentures have flopped. Institutions that initially bank-rolled many of these schemes lost patience, and some of the best-value country property available in recent months has been the forced sale of mini-estates with outline planning consent for use as a golf club.

Few of these new golf projects could lean on the cash-positive element of a related residential development. Planners loved the greens, but they rarely extended their enthusiasm to permit the kind of golf-course housing that provides the commercial logic for so many of the holiday and expatriate golfing estates along the Mediterranean, or in the US.

Having a golf course at the end of the garden justifies much the same premium as a water-side marina home. No-one is going to build over your view; you don't have to mow it; you can, if so inclined, play on it.

As the Royal & Ancient's researches confirm, television coverage and increased interest in fitness has spurred a big increase in the number of people playing, watching, or merely talking about golf. Add to the mix the 2,000 people each month who now take voluntary retirement in their 50s and who aim to trade across the housing market to an active retirement home and you have growing prospective demand for such homes, tallied with an exceedingly limited supply.

Or at least you did have when anyone had any money to spend and when homeowners found it easy to cash-in their existing property and hunt out homes they could tee-off from . . .

Breckenridge Estates' new development at Sunningdale: lots of room, at a price

Right now, as Martin Watson, of Knight Frank & Rutley's Ascot office says: "We're playing to an empty house."

The property lists that Watson and his colleagues have to display represent classic, and classically expensive, golf course homes. There are 275 houses in the main island site within the golf courses at the Wentworth Estate where the bottom marker on prices is, or was, close to three quarters of a million pounds. These days, no one is quite sure where that line should be drawn.

There was a ready market for these big country houses throughout the 1980s. The Estate is secure, developer-free, just 40 minutes from Central London and with even easier access to the airports; ideal as a British base for an international buyer or as one of the smarter sections of London's middle-distance stockbroker belt. Now, KF&R alone has 17 of these big mid-war broker's mansions on offer from £2.7m down – and only a handful of viewers.

There were expectations that Japanese buyers would head for Wentworth after last year's new issue of stock in the estate and golf course proved so successful in that country. However, Japanese investors who were happy to buy the stock and who enjoy the course still prefer to buy and live in central London. Without any added buying interest from Japan, these top of the range golf properties are as badly hit as the rest of the super-premium commuter homes. People simply do not have, or will not commit, the cash to trade up.

"These properties were the last to be affected by the slow-down in activity at the end of the 1980s and they are looking as though they will be among the last to come back again," says Watson.

Most of the homes on offer are pressure sales of one kind or another; either because of financial or marital difficulties or, commonly, a combination of the two. Golf enthusiasts with an eye to a bargain are unlikely to get either a wider choice of houses, or as much scope to haggle over asking prices, as they can today.

Sunningdale can claim one record over its rival course at Wentworth in the form of the largest recorded price reduction. Kingsmoor, an Edwardian country retreat in three acres of gardens next to the Sunningdale course, was on the market for month after month at an asking price of £1.5m. Earlier this year, when the mortgage lenders repossessed the house, the price was slashed to £775,000. Kingsmoor has since been sold, but prospective buyers will not find any shortage of equivalent houses to tour.

One oasis of activity in the midst of this log-jammed market has been Breckenridge Estates' newly-built Whinshill Court development on Cross Road in Sunningdale. Fifteen flats and houses were won from the site of a single mid-war mansion. That kind of scheme, forcing the housing density off any scale that the original builders could have imagined, can destroy the very qualities that made the site attractive in the first place. You need only look at one of the crammed infill sites in suburbia to see what a scaled-down mock-Georgian terrace (usually with Tudor overtones) can do to the site of a former semi-detached house.

Here, however, the developers have been playing to a different market. They have been able to spend their way around the cramming problem by building big – 2,500 to 3,000 sq foot – apartments with a finish in accord with the site. Prices of £430,000 for three bed apartments and £980,000-plus for the larger penthouses are more prime central London than Berkshire. But these flats have been selling as locals trade down and international buyers who otherwise would have been looking at individual homes have been attracted by the opportunity to buy new properties on a scale that gives them enough, rather than too much, home for their needs.

Cashing-in on a star location

TO APPEAR oneself or have one's property appear on *television or film still holds* a certain magic for many people. It is hardly surprising that television or film companies take the advantage of this when making arrangements for film locations.

It may not occur to a property owner *to ask for money. You may be* so carried away with finding out the name of the production, what stars may be involved and so on. Television and film executives will use their charm. "Do come and watch the shooting. We'll fix you up with a front-row seat. I'm sure you'd like to meet the stars . . . I know they'd like to meet you."

Sometimes the director or location manager will broach the subject of money. "How about a donation to your favourite charity? Is there a restoration fund for your church?" That, together with the *glamour (or imagined glamour)* is often enough to keep property owners happy – for the time being. The honeymoon can be brief.

When you find that the filming is taking twice as long as indicated, that your house is no longer your own, that your lavatories are always in use, that your friends cannot get near the place because of the cars and vans, that your telephone is constantly engaged, you may begin to wonder if the game is worth it. Almost certainly it will not be – unless, that is, you know enough at the outset to prevent this.

When negotiating terms, do not be too impressed by the argument that there are plenty of other good locations. You have been approached because your property is especially suitable – sometimes for reasons which will not be apparent to the layman. *Once location* managers have found a place they usually go to considerable lengths to obtain it. To travel around viewing alternative sites is expensive and time-consuming and film makers are usually short of time.

Television and film companies have a regular requirement for *country locations. It is not just* houses or cottages: the requirement can be for a pond or lake, farm buildings, a wood, village shop, garden, fields, stables or open country.

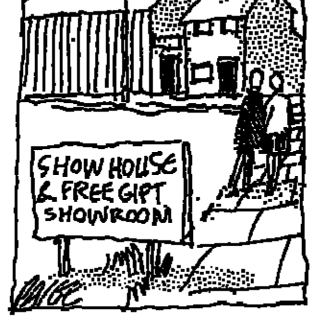
To hire a fully equipped studio and build a set is expensive. It is far better value to hire a location. A location within 30 miles of London is the most sought after. If filming takes place more than this distance from London the crew, which can have up to 60 members in the case of a feature film, have to be paid subsistence, which can be £30 or more per person per day. That is not *to say, however, that locations are* not also required in deepest Devonshire or Cumbria.

I am told that a minimum of £500 per day or part of a day for outside filming is the going rate. For inside filming, £1,000 is the minimum per day or part of a day. Do not accept a lower rate for days spent in "preparing" locations, as the disturbance is probably just as great as for actual shooting. And it is important to charge for the *use* of premises as opposed to just "filming".

These matters, and such essentials as insurance and third party liabilities, need to be put in a written agreement, preferably prepared with legal advice. All this may seem a far cry from grateful acceptance of what at first appears to be a heaven-*sent opportunity to fund, say, the* church roof repairs, but it is vital that you should know how to react when that delightful location manager first knocks on the door.

■ *The Country Landowners Association of 16 Belgrave Square, London SW1 (071-235-0511) has prepared a pamphlet on filming contracts. It is, however, available to members only.*

Michael Stourton



Christmas comes early

RATHER THAN writing to Father Christmas to send along a few extra buyers, one housebuilder has donned his cloak and whiskers.

You will have heard of the free car, of 50-50 purchase schemes, give-away family holidays, "soft" loans and subsidised mortgage schemes, as well as the universal price discounts which are all aimed at attracting buyers in the still sluggish new homes market in Britain. Birmingham-based Carla Homes has gone one better by bidding early for Christmas.

A Cartier watch, jewellery, a mountain bike . . . you name it, Carla Homes (Midlands) wants prospective home buyers to say what they would like for Christmas, then – assuming you complete the purchase of one of their homes by December 25 – it will provide the presents and throw in a free Christmas dinner.

This new venture in residential marketing opens up a range of possibilities. Children of the 1990s may come to bid over the heads of their parents to a housebuilder, rather than waste time whispering their ambitions to some store's seasonal Santa. And imagine the family pressure for a move each year. This could give a whole new meaning to the term "demographic shift".

John Brennan

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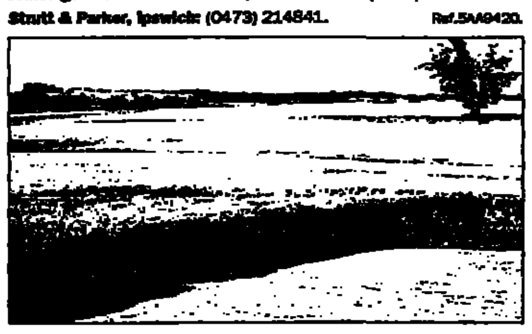

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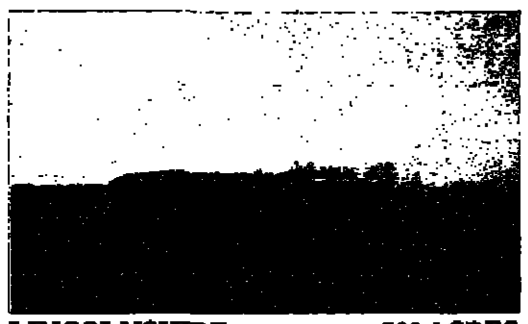

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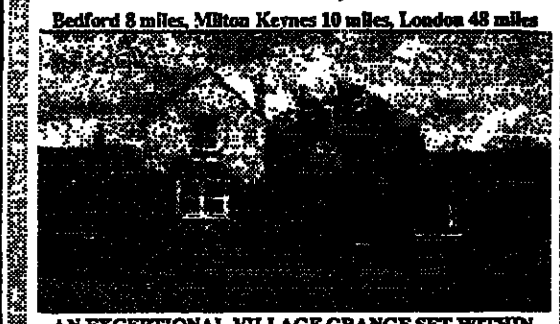

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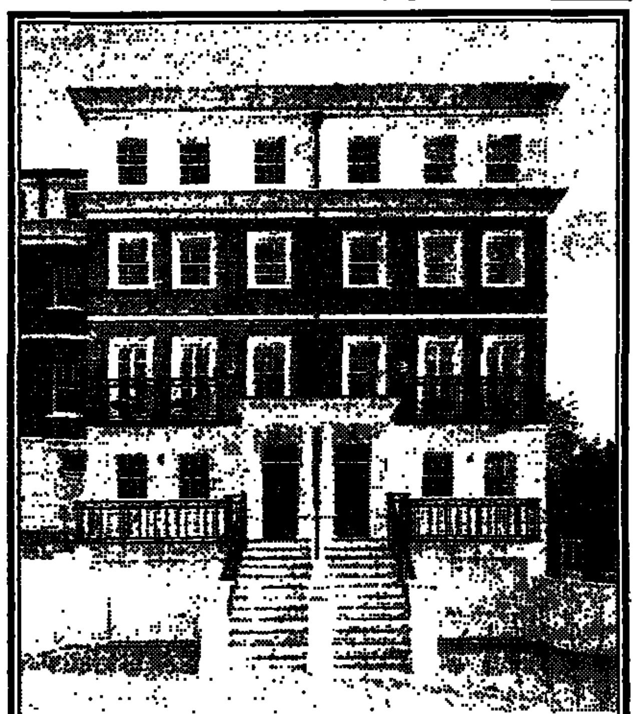

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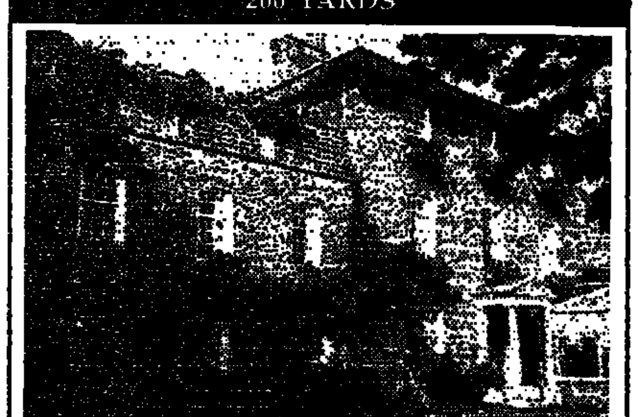

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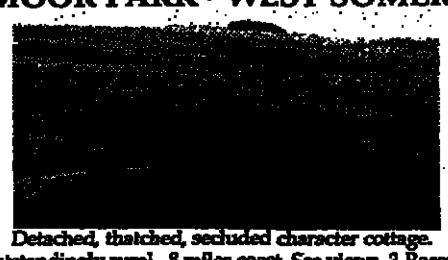

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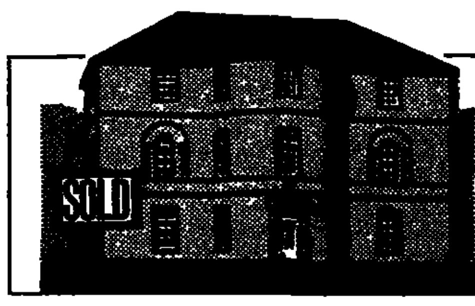

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PERSPECTIVES

Engine of growth searches for spare parts

***Paul Newburg** travels to Sverdlovsk and finds sparks of the entrepreneurial spirit*

THE RUSSIANS have often been written off as an inert mass when it comes to private enterprise. But to judge by Boris Yeltsin's home town Sverdlovsk, that is unfair. Sverdlovsk is a city of nearly 1.5m people dominated by heavy industry and defence plants that have traditionally offered their employees secure jobs as well as peppercorn-rent housing and many subscribed amenities. But that is all changing.

Private enterprise is doing well enough to have created alternative market in the city and the state firms are being deserted by some of their best people. Uralmash, the biggest enterprise in Sverdlovsk, with close to 50,000 employees, has had to raise wages by half this year in an effort to stem the tide. Others have followed suit.

Deserters lose their job security, their places in the queue for accommodation and other welfare rights. But they find the lure of the money to be earned in private enterprise too powerful.

One of the entrepreneurs they are joining is Konstantin Gritsenko. A large dark haired men of 30 with a boyishly round face, black rimmed spectacles and shy laugh, he is tough, ingenious, persistent and brave, the stuff of which empire-builders are made.

He was a mechanic with a big local defence plant before he started his metal-working business in a shed on marshland at Baltim, just outside Sverdlovsk. It took him 18 months to find a state farm that would lease him a greenfield site and to gather the capital and the political support he needed – including endorsement and a loan from the Communist youth league, the Komsomol, eager at at the time to encourage young entrepreneurs.

His business is a *tovarishstvo* – a comradeship – a term invented to beguile conservatives, even though the form of private enterprise it covers is much more like a western limited liability company, with private and institutional investors, he has built three huge hangers since he started in the autumn of 1990, and is laying the foundations of an office block complete with a swimming pool and a sauna for himself and his workforce, even though he has yet to get planning permission.

"Its cheaper to pay the fine than to wait around," he says with his boyish laugh, acknowledging at the same time that he is in a hurry to create facts.

A measure of this is that only one of his three hangars is in use. There, his machines, mostly second-hand and churning out much-needed plumbers' supplies, are packed close and running all the time, to repay the cost and the immense trouble it took to procure them. "The men work three days on 12-hour shifts, then they have three days off" he says,"We've worked non-stop for over six months, including holidays and weekends."

The 50 men he has doing those shifts are paid beyond what they could dream of in a state job. "The minimum is Rbs700, the maximum Rbs3,000, which is about ten times the average in a state firm," Gritsenko says. To maintain the pace, however, he also has a system of fines for breaches of labour discipline, ranging up to Rbs500.

But to pay his people as much as he does, he has had to be wily. The Soviet State Bank has introduced measures aimed at ensuring that private sector employees earn little more than those in the state jobs.

He relies on his accountant, "We're all to some extent in conflict with the law, and that's her job," he says. "The more the workers earn, the more I earn and the more she earns. if she can't solve the problem, I'll have to find another accountant."

Most important he pays in cash, and cash which does not come from his bank. "The bank won't issue cash for wages just like that, but I don't have any problems with the bank," he laughs. "I have cash like that in my shop, which I can take out when I need to pay the wages."

The shop is a general store he took over recently in Baltim. It sells a lot of things that are hard to find: matches, sugar, sausages, cigarettes and beer. He gets them through barter for his metal products, sometimes traveling to Lithuania, over 1,500 miles by car

He believes that barter, which has largely taken over from money, is bad for the country, and the sooner it reverts to normal trade the better for business and the consumer. But meanwhile he is making full use of the barter system. The goods brought back by him and his staff of traders – together with the shop staff, another 50 people – ensure that his shop does roaring business seven days a week, even though his prices are at free-market levels. This means that he is not only making maximum profit on his metal products, but is never short of cash. Not surprisingly, he is planning to open more shops this year.

Building the future: Konstantin Gritsenko in front of one of the hangars he has constructed to house his plumbing supplies and barter business

But being able to pay his workers cash is not the only benefit Gritsenko draws form his shop. In Russia, only state enterprises are officially entitled to raw materials. Even small private companies working for the state companies have great difficulty obtaining supplies. To get metal, Gritsenko pays twice as much as state enterprises pay. But being preparted to pay would not alone be enough to do the trick.

"I have to give presents to the people in a position to sell me metal. That is where my shop comes in. I stock foodstuffs in short supply all over Russia. At present there are problems with butter, with sugar, big problems with beer. So I give them a to the people who have metal at enterprises,and we obtain the metal we need."

Gritsenko is exceptional, most people in Sverdlovsk who have the entrepreneurial bug are too worried about uncertainties and too scared of the immense task of securing machinery and raw materials, to want to produce anything. They opt for trade instead.

Sasha, a former taxi driver, spends his week going round car spare part shops in country areas, buying what spares he can find. If he hears of a shop where a whole consignment is about to be delivered, he rushes there to buy as much of it as he can. On Saturdays, he takes his stock to Shuvakish, a market for cars and spare parts. The cars are mostly second hand, the spares mostly new, made in state factories but hard to find in state shops. At Shuvakish, they can be had, but not at the same price. "If it's some small part not in great demand, then I sell it for little more than the price in the shops," Sasha says. "But if it's something sought after, then I charge three times the state price, sometimes even ten times more"

Until recently it was an offence for a private person to buy something at one price and sell it at a higher price. With perestroika the law has been changed, to allow trade in goods bought at commercial prices but making a profit from re-selling goods bought at a state price remains a crime.

On Sundays, there is another market at Shuvakish, where dealers sell goods from cosmetics, clothes and crockery to video tapes and microchips. Apart from bigger dealers who may never come to the market, a host of private trading companies have sprung up in Sverdlovsk dealing in everything from currency to shoes to scrap metal.

The majority of what these traders do is legal, or almost legal. "There is quite a lot of uncertainty about the legislation at the moment, and there have been situations where we have done something that is illegal one day, but legal the next," says one, referring to currency deals. People play dice with the law. He who dares and calculates well enough, wins a lot.

A much bigger problem is that most entrepreneurial energy goes into trading in goods in short supply, rather than making more.

"Entrepreneurs are afraid of investing money in anything long term," says Sergi Burkov of the Sverdlovsk Economic Institute. "In trade, their turnover brings them profits without major problems. In these conditions, entrepreneurs who put money into developing production and manufacturing, are the heroes of our time."

And mostly unappreciated heroes at that. For one of the side-effects of Russian entrepreneurs' concentration on trade, and their often phenomenal profit percentages has been a backlash of popular resentment. This is understandable, not just as a result of the egalitarian propaganda and semi-egalitarian life-style of the last 70 years, but also as a product of the slump in living standards masses of people have suffered.

The term co-operative, signalling the first form of private enterprise allowed under Gorbachev's reforms in 1988, has become almost a word of abuse in popular parlance. Many co-ops in Sverdlovsk have re-registered as something else to escape the opprobrium.

What they have found harder to escape is the effect of the reversal of tax concessions they originally enjoyed as an encouragement to reforms of business.

"Thirty five per cent of the profit goes on income tax, 26 per cent on social insurance, 11 per cent for economic stabilisation, 5 per cent as sales tax, 1 per cent to the pension fund," says Nikoli Gogloyev, chairman of a small co-operative he started in a disused building in a semi-residential part of Sverdlovsk in 1988. It makes heat-resistant conveyor belts out of wiremesh bound by hand in a pattern he invented, for industrial customers as far away as Switzerland. "At the beginning, taxes were low, now they're so high, many co-ops are going out of business"

Or going underground. Over half the 1,500 co-ops operate in what is known in Russia as the shadow economy, says Boris Gulayev, Chairman of the Sverdlovsk Co-operatives Association, and their lobbyist on the City Council.

"A lot of co-operatives become shadow co-ops," he says, "because they can't get materials, they can't get technology, they can't get petrol. So they have to find a 'sponsor', who has access to state-owned materials and gives them some for a bribe. And because they've done this, they need some sort of protection, so they bring in the police, who also get paid for their services. They're all friends, all in it together."

In the midst of all this, however, Konstantin Gritsenko is not alone in making a success of it on the open side of the economy in Sverdlovsk. A building company run by Vladimir Konkov, a construction engineer, and registered as an even more convoluted form of business than Gritsenko's *tovarishstvo*, employs about 1,000 people on housing and other construction jobs, some abroad. SP Ural, a company started by Vladimir Koskov with a Rbs1,000 in his pocket in 1988, embraces 40 subsidiaries and affiliates spread across the Soviet Union, making or assembling a range of electronic equipment and trading in a huge variety of goods, with Rbs3,000 employees and a turnover of millions.

The entrepreneurial spirit is alive. It could transform a country which for seven decades could only just survive a process of self-destruction, into a land of boom.

■ *Paul Newburg produced All Change for Sverdlovsk, a documentary on Channel Four.*

ARTS

Hamilton on a royal visit to Vesuvius at the time of the 1771 eruption

Into the volcano

***William Weaver** recalls Sir William Hamilton's passion for Vesuvius*

AT THE end of last month, a four-day international conference on "active volcanoes and risk mitigation" was held in Naples in the Castel dell'Ovo, within sight of the now apparently peaceful cone of Vesuvius. The occasion also marked the 150th anniversary of the Osservatorio Vesuviano, founded in 1841 by the Bourbon king Ferdinando II, and directed by a succession of eminent volcanologists, including Giuseppe Mercalli, who devised the scale by which scientists still measure the intensity of eruptions.

While specialists from over half-a-dozen nations, from Italy to Japan, discussed magnotelluric soundings and slope instability, a benevolent and interested ghost was surely haunting the historic and familiar castle: Sir William Hamilton, whose stay in Naples (from 1764 to 1798) coincided not only with a turbulent and exciting period in Neapolitan history but also with a series of natural upheavals, which stimulated the curiosity of that enlightened Englishman and led him to study the phenomena of Vesuvius and the other volcanic areas with the profound, exploratory attention of a true 18th century dilettante. And Hamilton's studies, reported in a series of letters to the Royal Society, were the basis of the modern science of volcanology.

Hamilton's stay in Naples, which covered half of his life, was important for many reasons (of which perhaps the least significant today is his second marriage, to Emma Hart, later mistress of Lord Nelson in one of the most notorious *ménages à trois* in history). Sent to the Bourbon capital as royal envoy to the Kingdom of the Two Sicilies, Hamilton soon became a fixture of the elegant court; and, in his several houses, he established something of a court himself: all important visitors to Naples – then one of the great cosmopolitan cities of Europe – sought him out, eager to see his celebrated collection and, if they were lucky, secure him as their guide to the mysterious volcanic areas or the ruins of Pompeii.

The story of Hamilton's life has been told many times; but a recent magnificent and informed volume by Carlo Knight, *Hamilton a Napoli*, concentrates on the enduringly significant aspects of that life, and, as the title indicates, on the English diplomat's relations with the singularly lovable, all too easily misunderstood, and now sadly desecrated Campanian city.

Hamilton was, first of all, a collector. His pictures included many fine works, by Luini, Reni, Veronese, Neapolitans like Solimena and Schedoni, and a number of (then) contemporary artists whom Hamilton encouraged, notably Peter Fabris, Philipp Hackert and the ungrateful Elisabeth Vigee LeBrun (who, like Hackert, was commissioned to paint a portrait of Emma). But, more important, Hamilton systematically assembled a collection of Etruscan, Greek and Roman antiquities, which he published in two elaborately illustrated volumes.

Subsequently, he published other volumes, including his Campi Phlegrei with superb illustrations by Fabris (most of the originals are now in the British Library). Hamilton's publications are now extremely rare: not only because they were issued in limited editions, but also because surviving volumes were often vandalised, the illustrations torn out to be sold separately.

Published by Electa Napoli, Knight's *Hamilton a Napoli* is as attractive to look at as it is illuminating to read. Not only are many Fabris illustrations sensitively reproduced (there are countless colour plates), but there are also other views of Naples, reproductions of the watercolours of Giovanni Morghen for *The Antiquities of Herculaneum*, and drawings by Padre Piaggio for the "Vesuvian Diary" that the aged scholar-priest dutifully kept for Hamilton (who paid him a sorely-needed stipend for the task).

In Naples, Hamilton did not live in a vacuum, and in telling the story of this eccentric *milordo*, Knight does not hesitate to digress. There are informed and charmingly informative pages on Naples's place in the Grand Tour, on the life of Padre Piaggio (who was the first to invent a way of reading the charred papyri recovered at Herculaneum). A brief history of the Neapolitan *gouache* offers a brilliant footnote to the history of tourism, of souvenir-collecting, and of art. In another, equally well-documented and original book, Knight has told the story of the English Garden that Hamilton persuaded Queen Maria Carolina to have made in the vast park at Caserta. Here the story is briefly retold, from a different angle, and Hamilton's role is justly underlined.

But, above all, looms Vesuvius. In his last years in Naples, it had become a kind of obsession with Hamilton, as it was for the Neapolitans who lived under its threat. According to Piaggio's diary, in the time of Carlo, the first Bourbon king of Naples, a courtier suggested eliminating Vesuvius by levelling it and redirecting its lava flow. In those pre-bulldozer days, he asked to have 29,000 men at his command. Carlo refused indignantly, saying, "If these [eruptions] are the effects of second causes we cannot prevent them. If they are scourges in the hand of Him who is the Prime Cause, we must not elude them." In what became a real love for the volcano, Hamilton – also taking a moral tone – found a way or arguing that, in the end, the eruptions were a good thing, as even from their most destructive manifestations, benefits were derived.

It is unlikely that the scientists gathered in Naples for the International Conference devoted much time to the moral question; but the programme included a paper of Sir William Hamilton, and while satisfying a need for information, this recognition surely also fulfils a moral obligation. Obligatory, too, would be the prompt publication of Knight's absorbing volume in English.

Lovely logic

EVERY YEAR, a number of perfectly nice young women, hard-working and well intentioned, tread through *Giselle* or *Swan Lake* or *The Sleeping Beauty*. Audiences watch these sacred routines and like to believe that they are seeing ballerinas, just as ballet companies like to believe that the old repertory is being given proper performance. Alas, the facts are other. Careful and loving production may provide the framework for the central interpretation, but this repertory is only to be understood fully if there is, at its heart, the incandescence of the true ballerina, immolating herself in the service of the role and of her own gifts. Anything else is pleasant, polite, and ultimately meaningless.

It is a particular importance of the present tour by Moscow City Ballet that it is offering performances of the old classics by Lyudmila Semenyaka which are exemplars of the ballerina's art. The *Giselle* I saw at Northampton's enterprising Derngate Theatre on Thursday told everything of the identity and function of the ballerina as a uniquely potent figure – and hence *told* everything of the ballet. The production is straightforward, somewhat perfunctory, but that it the way with Russian stagings, which avoid the Romantic flummery that can make Western presentations too quaint for their own good. The design is feeble, yet the very directness and austerity of this *Giselle* help reassert the importance and, with Semenyaka, the ritualistic beauty of the ballerina's presence.

Nothing matters save the lovely mechanics of her dancing, the extreme concentration of her playing. Albrecht, in a sympathetic reading by Sergey Gorbachev, is her *porteur*; Myrtha, a commanding portrayal by Natalya Yakovleva, is the force that Giselle's love must overcome. The surrounding company – much more coherent and assured than in the *Swan Lake* of the previous week - provides the necessary setting for Semenyaka's art. And this is extraordinary. She shows us a Giselle fated almost from the first to tragedy. Berthe's warnings affect her deeply, as if she becomes aware of her destiny.

Albrecht's betrayal brings a shocking intensity of madness, her eyes gazing wide at visions of both past and future. Giselle is a being of extreme gravity, the dance purged of everything save the compassionate love which gives it an exquisite dignity. And in each long phrase, each step, there is that Kirov-born clarity and ravishing harmony of execution which sustains the power of her interpretation.

We see the entire logic of *Giselle* as part of the long and glorious history of ballet in Russia: tradition, an apostolic succession from artist to great artist, as a means of preserving and illuminating a masterpiece in the theatre.

Clement Crisp

Off-balance Rattle

SIMON RATTLE brought his City of Birmingham Symphony to the Proms this week, for the Wednesday and Thursday concerts. The latter consisted of Mahler's Ninth Symphony, and the Albert Hall was packed out (and hot, and sticky); the earlier programme – with the violinist Gidon Kremer in Sofia Gubaidulina's *Offertorium*, and the Prokofiev Fifth – drew a good house, though with many seats still going spare. Practically anything Rattle does is worth hearing; but on balance I thought the Wednesday audience was luckier

Balance was the issue, at least from where I sat. The FT's regular seats are extreme Stalls Left, from where it is easier to appreciate the first violins' shoulder-blades than their playing – mostly invisible and sometimes even inaudible, as too often in this Mahler Ninth. Besides, as Richard Fairman observed here the other day, there are fewer acoustic "mushrooms" hanging from the roof this season than there used to be: maybe the result has been peculiarly unfortunate for the audience in the "H" sector. Or perhaps the CBSO violins really are a bit under-powered.

About half were women. Might there be a grain of truth in the "masculinist" claim that female violinists don't carry the same bow-weight? Literally, I wasn't in a position to judge. At any rate the problem surfaced first in Wednesday's Prokofiev, in whose outer movements the CBSO brass – especially the horns, acoustically favoured by their central place – regularly wiped out the main violin-tunes. Since Rattle was taking particular care to expose Prokofiev's contrapuntal voices (widely underrated), that was a pity.

At least the scherzo was properly sharp, even brilliant, and the strings came warmly into their own in the winding Adagio. Nevertheless, the *gravitas* that Rattle evidently sought for the crucial first movement was drained by the vanishing strings. The old, demonic Rattle – ie the *young* Rattle – showed his hand only in the furious codas of Prokofiev's finale and Mahler's Rondo-Burleske.

He read Mahler's opening "Andante comodo" as a spavined Adagio. Sheer expressive concentration carried it at first; but very soon the symphony became a Concerto for Six Horns (Mahler asked for only four), and the symphonic argument was nearly lost amid those overbearing subsidiary voices. For all the conductor's vivid insights, the *Ländler* movement and the Rondo were seriously injured by the same imbalance. The final Adagio, which assigns the horns a lesser role, came as a heartfelt relief. Mahler prescribes "long bows" for the strings, and the CBSO players obeyed him to potent effect – even in the coda.

With Gubaidulina's 1980 *Offertorium* there was no comparable problem. She wrote it for Kremer, who delivered it here with searing authority, and Rattle supported its strange construction – tight formal skeleton, wildly eclectic episodes which devolve at last upon a Russian Orthodox vision – with cool expertise. It made a richly disorienting experience: flamboyant but private, in Gubaidulina's inimitable way, and utterly serious.

David Murray

Easy does it

THE SOUND of New Orleans seems to be reasserting itself worldwide again in popular jazz. Ladies' man Harry Connick Jnr has them swooning with his crooning, while the Dirty Dozen and Rebirth Brass bands have been blazing a trail around Europe.

London's Festival Hall on Wednesday saw a little piece of the Big Easy delivered with some difficulty by a double bill of saxophonist Branford Marsalis and the young and gifted pianist Marcus Roberts.

Difficulties stemmed from the airline's treatment of the Marsalis trio's gear: his tenor had lost a pad and Jeff "Tain" Watts' drum kit was missing the fairly crucial snare drum. Never mind, the three men are full of braggadocio, Bob Hurst's bass appeared unharmed and Marsalis stuck mostly to the soprano.

In a set which mixed standards – Monk's "Let's Call This" and "Cocktails for Two" – with new material from a forthcoming album, *The Beautiful Ones Are Not Yet Born* (Columbia), the trio coasted initially. Thankfully, proceedings were enlivened halfway through by the arrival of the missing piece of kit. Hurst began to rattle the fret more and Marsalis switched to the soprano for some punchier, brighter soloing, interspersed with atmospheric meandering.

But 31-year-old Marsalis, whose musical role in Spike Lee's film *Mo' Better Blues* brought him to a wider than jazz audience, is a chameleon saxophonist. He charms a smooth tone out of the soprano and he approaches Ornette-style hyena utterances. On this showing though, with Watts and Hurst, he combined precision technique with a casualness in delivery which lacked fire.

Earlier, blind pianist Marcus Roberts, more often heard in the company of Branford's older brother Wynton Marsalis, played a selection of Jelly Roll Morton standards. Roberts is a terrific technician, who provided a sparkling snapshot of his recent album *Alone With Three Giants* (BMG), where he tackles Monk and Ellington as well as Morton.

Garry Booth

Video

Dear viewers. Enough

DEAR MR Andrews, I much enjoy your video column. I wonder if you could tell me where I can get hold of *Slave Girls Of The Nile* and *Blood Runs Down Their Cheeks*? My local stockist doesn't seem to stock them. Yours, Curious of Caversham.

Dear Mr Andrews, A French friend tells me there is a video version of Sartre's *L'Etre Et Le Neant* as performed by the inmates of asylum of Charenton under the direction of Meryl Streep. Is this true? Where can I find it? I much enjoy your column. Yours, Francophile of Frinton.

Dear Mr Andrews, I much enjoy your video column. Any idea how I can get hold of *Bruce Forsyth's Golfing Tips*, *Luciano Pavarotti's Singing Hits* and *Jackie Charlton's Fishing Trips*? Yours. Sporty of South Shields.

Dear readers, Right. I am blowing the whistle. I have had enough. No more letters softening me up with how you enjoy my column and then asking me where you can get such-and-such. The British Videogram Association will answer all your enquiries on 071-437-5722. This information service is now closed and will re-open only if enquiries drastically decrease. Yours, Nigel Andrews.

Yet how could I complain? I of course appreciate your enthusiasm for the video medium. I do my utmost to point you to where you can find the best films in the best showcases. This is at the cinema. As the only video critic who regularly attacks video-viewing as a habit, I should like to announce "See Films Where They Should Be Seen" week. Hundreds of lookalike Nigel Andrewses will be on patrol outside regional cinemas from next Sunday. All you have to do is recognise the lookalike and show him two freshly bought cinema admission tickets. He will then put you straight on to the Andrews Database service for unlimited video information by phone, post or computer.

Let us be fair. Things *are* looking up in the video market. Last month I pointed to the art films swarming over the horizon like brave, determined bees from South America. The attack continues this month. Who could have dreamed that Andrei Tarkovsky and Akira Kurosawa would buzz into cassette form while the decade was still young? *Throne of Blood* and *The Seven Samurai* (Connoisseur) show the Japanese film-maker at his most kinetic: costume adventures in which each frame has the energy and richness of a great painting. *Solaris* and *Stalker* (also Connoisseur) are sci-fi fables haunted by a pre-reform Russian's sense of photogenic doom and dereliction. Nothing in modern cinema surpasses Tarkovsky's visionary landscapes of water, ruin, mud and crumbling buildings.

Three other "art films" emerge into video this month. Joy is certainly the keynote of Derek Jarman's *The Garden* (Artificial Eye) and Patrice Leconte's *The Hairdresser's Husband* (Palace). The first gaily dresses, and undresses, the Creation myth according to modern tastes: with dazzling trick-photography seascapes filmed near Jarman's Dungeness home. The second is a merry tale of *l'impossible amour*, involving a middle-aged gent with a weird taste for Arab dancing (Jean Rochefort) and a beautiful young coiffeuse.

Pick of the month, though, is Jan Svankmajer's *Alice* (ReVision). Lewis Carroll's "live" heroine moves among bizarre animated puppets as the Czech surrealist plies his magic. Dormice build fires in Alice's hair. Six-inch nails dance through frightened socks. Chests of drawers come to life. White rabbits "bleed" sawdust. If you doubt that madness and genius are near allied, see this.

Little for your delight in the month's commercial releases. Best are the blithe low-budget thriller *Miami Blues* (Virgin), starring Alec Baldwin as a psychopath in Pasteltown; Disney's *The Little Mermaid* (Buena Vista), memorable for its all-singing, all-dancing crayfish; and a fond spoof of film-making itself in *The Big Picture* (20:20), with Kevin Bacon as a young director adrift in vintage Hollywood.

Oh I almost forgot the re-issue of Douglas Fairbanks's *Robin Hood* (Virgin). The oldest and still the best of all versions. Rent now while stocks last.

Nigel Andrews

Chess No 888:
1 Na6! (threat 2 Nc7+ Nxc7 3 Qd8 mate) bxa6 2 Rc7! Resigns.

TELEVISION

SATURDAY

BBC1

7.05 Blancmanges and Snowflakes. 7.30 Pinocchio. 7.50 Kissyfur. 8.15 The 8.15 from Manchester. 10.12 Weather.

10.15 Grandstand introduced by Desmond Lynam. Including at 10.20 Cricket from Lord's: The NatWest Trophy Final between Surrey and Hampshire. 12.45 Football Preview: With guest Graham Taylor. 1.00 News. 1.05 Water Skiing from Thurrock: The European Barefoot Masters. 1.25 Cricket. 2.00 Racing from Haydock Park: The Ladbroke Race Aid Handicap. 2.08 Cricket. 2.30 Racing: The John Smith's Bitter Stakes (H'Cap). 2.35 Cricket. 3.00 Racing: The Ladbroke Sprint Cup. 3.05 Cricket. 3.25 Racing from the Curragh: The GPA National Stakes. 3.30 Rugby Union from Twickenham: England v USSR. 4.35 Final Score. Times may vary.
5.00 News; Weather.
5.10 Regional News and Sport.
5.15 Only Fools and Horses. Comedy starring David Jason and Nicholas Lyndhurst.
5.45 Bruce Forsyth's Generation Game. Favourite memories from last year's series.
6.30 Film: Crocodile Dundee. Paul Hogan stars as the laid-back Aussie adventurer who faces a culture shock when he visits New York City. Also starring Linda Kozlowski (1986).
8.00 *Birds of a Feather.* The irrepressible Chigwell convicts' wives, Sharon (Pauline Quirke) and Tracey (Linda Robson), find themselves under investigation.
8.30 The House of Eliott. Part two. Starring Stella Gonet and Louise Lombard.
9.25 News and Sport; Weather.
9.45 World Championship Boxing. Live coverage of the World Flyweight Championship from Belfast between Britain's Dave McAuley and South Africa's Baby Jake Matlala. Presented by Chris Lewis with commentary by Harry Carpenter.
10.45 Film: Best Seller. A former hit-man helps an ex-cop write a book based on his life as a professional killer. Action drama premiere starring James Wood, Brian Dennehy and Victoria Tennant (1987).
12.15 Film: Nightstalker. Comedy thriller starring Darren McGavin and Carol Lynley (TVM 1971).
1.30 Weather.
1.35 Close.

BBC2

6.50 Open University.

2.45 Mahabharat. (English subtitles).
3.25 Cricket: NatWest Trophy Final. Hampshire v Surrey. Tony Lewis introduces live coverage from Lord's of this 60-overs-per-side match which promises to be one of the most highly contested finals in years. With commentary by Richie Benaud, Ray Illingworth, Geoff Boycott and Jack Bannister.
7.45 News and Sport; Weather.
8.00 Made in Japan: Arata Isozaki. On the eve of the major Japan festival, the BBC profiles three key figures who are at the centre of modern Japanese culture, beginning with architect and designer Arata Isozaki. The film looks at his most important buildings, including a sports palace for the next Olympic Games in Barcelona, and explores how he has synthesised ideas from Japanese culture with influences from the West to create his own unique style.
8.50 Tango with Ninagawa. The Made in Japan profiles continue with a look at the highly acclaimed theatre director Yukio Ninagawa. His latest production is a contemporary Japanese play called Tango at the End of Winter. The film shows his work on the play and also follows the successes and failures of this unique cultural exchange.
9.30 Kyoto, My Mother's Place. Although best known for his feature films, director Nagisa Oshima's contribution to the Made in Japan season is a moving reflection on his home of Kyoto. In it he examines his mother's life, restricted by society as a widow, and his own feelings of hatred for the old capital city.
10.20 Film: A Taxing Woman. Fast-paced satire on the theme of money. After success in tracking down petty offenders an inspector for the Japanese National Tax Agency gets the chance to go after a major criminal. Premiere starring Nobuko Miyamoto and Masahiko Tsugawa (1987).(English subtitles).
12.25 Cricket: NatWest Trophy. Tony Lewis introduces highlights of the final between Hampshire and Surrey.
1.20 Close.

LWT

6.00 TV-am. 9.25 Motormouth. 11.30 The ITV Chart Show. 12.30 pm Superman.

1.00 ITN News; Weather.
1.05 LWT News; Weather.
1.10 Saint and Greavsie. Previewing next Wednesday's friendly international between England and the World Cup holders, Germany. Plus all the latest football action and news.
1.55 Golf: PGA Tour '91. Merrill Lynch Shoot-Out.
2.55 Film: Died in the Wool. A woman goes into the woolshed on her farm in New Zealand, only to turn up dead three weeks later at an auction, packed into one of her own bales of wool. Thriller based on the novel by Ngaio Marsh and starring George Baker (1978).
4.45 Results Service. The latest footballing scores and stories.
5.00 ITN News; Weather.
5.05 LWT News; Weather.
5.15 10 Sharp! Joining Pat Sharp are footballer Gary Lineker and New Kids on the Block brother Marky Mark.
5.30 Baywatch. Lt Bucannon's son plays truant and becomes involved with reckless power skiers. Starring David Hasselhoff.
6.30 Blind Date. New series. Cilla returns as TV's chief matchmaker.
7.30 Film: On Her Majesty's Secret Service. George Lazenby stars as 007 on the trail of arch-enemy Blofeld (Telly Savalas) after threats to world peace are made by the madman. Also starring Diana Rigg (1969).
10.00 ITN News and Sport; Weather.
10.15 LWT Weather.
10.20 Tarrant on TV. Chris Tarrant dips into the archives from his recent series to trace the way condoms have affected our eyesight, as safe sex commercials begin to influence the way other products are advertised.
11.20 Film: So Fine. A college professor inadvertently launches a new fashion when he is abducted by a gangster. Comedy starring Ryan O'Neal (1981); ITN News Headlines.
1.10 Bhangra Beat; Get Stuffed.
1.45 Coach.; Get Stuffed.
2.20 Baseball 1991; ITN News Headlines.
3.20 Night Heat.; ITN News Headlines.
4.15 The Hit Man and Her.

CHANNEL4

6.00 Early Morning. 9.30 Class by Class. 10.00 Check Out 91. 10.30 Wagon Train. 11.30 Australian Rules Football. 12.30 pm American Football - Red 42.

1.00 Film: On Moonlight Bay. Doris Day stars in this pleasantly nostalgic period musical, set in small-town Indiana on the eve of America's entry into the First World War. Also starring Gordon MacRae (1951).
2.50 Girl of the Screen. Animation from Brazil.
3.05 Channel 4 Racing from Kempton Park. Including the 3.15 BonusPrint Sirenia Stakes, 3.25 National Stakes, 3.45 Geoffrey Hamlyn Handicap Stakes, 4.15 BonusPrint September Stakes, 4.45 Spelthorne Handicap Stakes. Introduced by Brough Scott. Commentary by Graham Goode, with Jim McGrath and John Francome reporting from the paddock.
5.10 Brookside.
6.30 The Big 8. Martin Duffy introduces coverage of the wheelchair basketball tournament from Sheffield's Pond's Forge. League champions Sheffield Steelers face tough competition from London's Capital City Jazz.
7.00 The World This Week.
8.00 The Parenthood Game. Starting with courtship and breeding, the Survival team trace the course of childhood in a wide range of animals, from centipedes to lions.
9.00 Film: My Dinner with Andre. A sad never-quite-made-it playwright, and a brilliantly successful director get together and swap stories about their psychoanalysts. Louis Malle drama starring Wallace Shaw (1981).
11.05 As it Happens. Andy Kershaw rides into Banderra, Texas, the cowboy capital of the world for rodeo weekend. Steer-ropers, bull-riders and cow-punchers are coming from all over the Lone Star State for the big event.
12.40 Manhattan Cable.
1.25 American Football — Red 42. Mick Luckhurst and Gary Imlach with action from the National Football League.
1.55 The Oprah Winfrey Show.
2.40 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-ANGLIA:
12.30 Animated Shorts. 1.05 Anglia News. 1.55 The A-Team. 2.50 Journey to the Far Side of the Sun. 5.05 Anglia News and Sport 5.20 Cartoon Time.
BORDER:
12.30 Munsters Today. 1.05 Border News. 1.55 The Silk Road. 2.50 Crooks and Coronets. 5.05 Border News. 5.15 Cartoon Time.
CENTRAL:
12.30 The Champions. 1.05 Central News 1.55 The Birth of Rugby. 2.25 Nine Hours to Rama. 5.05 Central News 5.15 Central Sports Special - Goals Extra. 11.20 Stand Up Virgin Soldiers starring Robin Askwith and George Layton.
CHANNEL:
12.30 Blockbusters. 1.05 Diary Dates. 1.55 Pony Club Games. 2.25 The Life and Times of Grizzly Adams. 3.20 The Wonderful World of Disney. 4.15 The Birth of Rugby. 5.05 Channel News. 5.10 Bertie the Bat. 5.15 Puffin's Pla(i)ce. 5.20 Cartoon.
GRAMPIAN:
12.30 Beatha'n Fhasaich. 1.05 Grampian Headlines 1.55 Fionnan Feoir. 2.25 The Birth of Rugby. 2.55 Carry On Cruising. 5.05 Grampian Headlines 5.10 Criomagan. 5.15 Put It In Writing.
GRANADA:
12.30 Superman. 1.05 Granada News. 1.55 The Birth of Rugby. 2.25 The Spectacular World of Guinness Records. 2.50 Hannibal Brooks. 5.05 Granada News. 5.10 Granada Goals Extra.
HTV:
12.30 Press Your Luck. 1.05 HTV News. 1.55 The Life and Times of Grizzly Adams. 2.40 The First of the Few starring Leslie Howard and Rosamund John. 5.05 HTV News and Sport.
HTV Wales as HTV except:
12.30 The Munsters Today. 1.05 HTV News.
SCOTTISH:
12.30 My Secret Identity. 1.05 Scotland Today. 1.55 The Birth of Rugby. 2.25 Pop Profile. 2.45 The Hunters. 5.05 Scotland Today 5.20 Cartoon Time. 10.15 Scottish Weather. 11.20 Men.
TSW:
12.30 The South West Week. 1.05 TSW News 1.55 The Biggin Hill Air Fair. 2.55 The Birth of Rugby. 3.25 The Radio Cab Murder. (1954) 5.05 TSW News and Sport 5.15 Gus Honeybun's Cartoontime.
TVS:
12.30 Blockbusters. 1.05 TVS News. 1.55 Pony Club Games. 2.25 The Life and Times of Grizzly Adams. 3.20 The Wonderful World of Disney. 4.15 The Birth of Rugby. 5.05 TVS News. 5.15 Cartoon.
TYNE TEES:
12.30 Peppino. 1.05 Regional News. 1.55 The Birth of Rugby. 2.25 The Spectacular World of Guinness Records. 2.50 Pirates of Malaysia (German film with English dialogue). 5.05 Northern Life Sport Special. 5.15 Cartoon Time.
ULSTER:
12.30 The Intruders. 1.05 Ulster Newstime 1.55 The Birth of Rugby. 2.25 The Spectacular World of Guinness Records. 2.55 The Magnificent Two starring Morecambe and Wise. 5.05 Ulster Newstime 5.10 Ulster Sports Results. 5.20 Cartoon Time. 10.15 Ulster Newstime.
YORKSHIRE:
12.30 Heidi in Town. 1.05 Calendar News. 1.55 The A-Team. 2.50 Wuthering Heights starring Laurence Olivier and Merle Oberon (1939). 5.05 Calendar News. 5.15 Cartoon Time.

SUNDAY

BBC1

6.45 Open University. 8.50 Interval. 8.55 Playdays. 9.15 Movable Feasts. 9.30 This is the Day. 10.00 See Hear!

10.30 Film: The Wonderful World of the Brothers Grimm (1962).
12.30 *Country File.*
12.55 Weather for Farmers.
1.00 News; Speaking Volumes. PD James picks another selection of paperbacks, including Any Woman's Blues by Erica Jong and Newtonian Casino by Thomas A Bass. Dorothy Dunnett discusses historical fiction.
1.45 Cartoon.
2.00 EastEnders.
3.00 Dallas.
3.45 Film: Blindfold. An eminent psychologist is called upon to treat a mentally disturbed scientist, but the patient's sister is convinced that her brother has been kidnapped. Rock Hudson and Claudia Cardinale star in this comedy thriller (1966).
5.25 Cartoon Double Bill.
5.45 Safari UK: The *Living Isles*. How animals have made the transition from living in unspoilt surroundings to our modern world.
6.25 News.
6.40 Songs of Praise. Ian Gall visits the Lakelands of Fermanagh in Northern Ireland, and finds people who cherish their heritage but are more than willing to share it with visitors.
7.15 Keeping Up Appearances. With Patricia Routledge and Geoffrey Hughes.
7.45 Bread.
8.15 Trainer. The Mugger is proving to be a difficult horse, and all Mike has to do is figure out what the problem is! But it might not be that simple. Starring Mark Greenstreet.
9.05 News and Weather.
9.20 Screen One: Tell Me That You Love Me. Laura Simms, the editor of a top magazine, has had very little luck in love. But then she meets Gabriel Lewis, a handsome but mysterious man. Starring Judith Scott and Sean Bean.
11.00 Everyman. A Russian Orthodox priest lives with his family in a 17th century priory in Devon, which they share with potentially violent young schizophrenics, giving them a chance of a life outside the traditional mental hospital.
11.45 Mahabharat. (English subtitles).
12.25 Weather.
12.30 Close.

BBC2

6.35 Open University. 12.50 pm Holiday Outings. 1.00 Materials in Action.

1.25 Sunday Grandstand introduced by Bob Wilson. Including 1.30 Motor Cycling: The sixth and final round of the British Supercup from Mallory Park. 1.45 Motor Racing: The Italian Grand Prix from Monza. 3.25 Motor Cycling: Further coverage from Mallory Park. 3.45 Racing from The Curragh: The Moyglare Stud Stakes. 3.55 Eventing: The European Three-Day Championships from Punchestown. Times may vary.
5.15 Rugby Special. New series. Chris Rea introduces the action as England take to the field at Twickenham against the USSR, while Scotland face the Barbarians at Murrayfield.
6.00 This is Your Life. A selection of memorable moments from the series, when it was hosted by Eamonn Andrews.
6.30 Butoh: Body on the Edge of Crisis. In 1959 Butoh or 'dance of darkness', based on Yukio Mishima's novel, was performed by Tatsumi Hijikata and it scandalised Tokyo's modern dance world. Part of the Made in Japan season.
7.15 Okavango - Jewel of the Kalahari. Botswana now has the fastest growing economy in Africa, but how long can it maintain this growth and still preserve its unique wildlife heritage? Last in series.
8.10 David Owen: Journey's End? Jeremy Paxman talks to Dr David Owen, who recently announced his plans to retire from politics at the next general election.
8.40 Arena. As part of the Made in Japan season, Arena reconstructs the story of the complex and contradictory writer Yukio Mishima. Although nominated three times for the Nobel Prize, he is remembered for his bizarre suicide committed 21 years ago by ritual hara-kiri.
9.35 Grand Prix. Highlights of the action from Monza.
10.15 Film: Mishima. Cult Japanese drama following the life and times of Yukio Mishima. Starring Ken Ogata (1985).(English subtitles).
12.15 Close.

LWT

6.00 TV-am. 9.25 The Disney Club. 10.45 Link. 11.00 Morning Worship. 12.00 The Human Factor. 12.25 pm Way of the Lakes. 12.55 LWT News; Weather.

1.00 ITN News; Weather.
1.10 *Cartoon Time.*
1.30 Escape from Alcatraz II. Highlights from the 1990 Alcatraz Triathlon, in which some of the world's premier athletes try to achieve the impossible — escape from the prison.
2.00 Film: Doctor in Clover. Starring Leslie Phillips and James Robertson Justice with Shirley Anne Field and Joan Sims (1966).
4.00 Dinosaur! Tyrannosaurus Rex has always been thought of as the largest and meanest dinosaur, but monster bones found in Colorado reveal there was an even larger beast.
5.00 International Athletics. The Grand Prix meeting from the Mungersdorfer Stadium in Cologne. Jim Rosenthal presents live action with commentary by Alan Parry, Peter Matthews and Steve Ovett.
6.00 Bullseye.
6.30 ITN News; Weather.
6.35 LWT News; Weather.
6.40 Highway.
7.15 You've Been Framed.
7.45 Voyage of Terror: The Achille Lauro Affair. Part one. Burt Lancaster stars in this mini-series about the 1985 hijacking of the cruise ship Achille Lauro. Four young Palestinians held the 800 passengers hostage as governments in Rome, Washington, Cairo, Bonn, Paris and Tel Aviv scrambled to save their lives.
9.15 ITN News; Weather.
9.30 LWT Weather.
9.35 London's Burning Stunts and Stars.
10.05 *A Royal Gala - The Prince of* Wales' Symphony for the Spire. Performed in the presence of the Prince and Princess of Wales, this charity concert devised personally by the Prince features a host of international artists, including Phil Collins, Placido Domingo, Jessye Norman and Charlton Heston.
11.35 International Athletics. Highlights from the meeting in Cologne.
12.35 The ITV Chart Show.
1.35 New Music.
2.35 Film: The Night Visitor. Starring Max von Sydow and Liv Ullman (1970); ITN News Headlines.
4.40 Hodson Confidential.
5.05 Soap.

CHANNEL4

6.00 Early Morning. 9.25 The Sword of Tipu Sultan.(English subtitles). 10.00 Dispatches. 10.45 Dennis. 11.00 Owl TV. 11.30 The Lone Ranger. 12.00 The Waltons.

1.00 Voyage to the Bottom of the Sea.
2.00 Film: The Razor's Edge. A young American survives World War One and begins to question the meaning of his life. Starring Tyrone Power and Gene Tierney (1946).
4.40 The Orator. Classic puppet animation by Bretislav Pojar.
4.55 News Summary; Weather.
5.00 Family Pride.
5.30 The World Yachting Grand Prix. The 52ft Formula One class begins on the Clyde with four-times Americas' Cup winner Dennis Conner a hot favourite. Commentary is by Bob Fisher and Larry Keating.
6.30 The Cosby Show.
7.00 Equinox. Re-inventing Japan. Japanese scientists have invented consumer goods which have conquered the world. But their meagre clutch of Nobel prizes suggests genius at applied science has not been matched by prowess at pure science. Can Japanese society, blinkered by its past successes, now learn to produce Einsteins?
8.00 Classic Cars. Milton and Stewart Homan from Battersea, South London, cruise the streets of Los Angeles looking for the fins and chrome of classic Fifties American cars.
8.30 American Football. Mike Luckhurst presents highlights from one of the day's top games. Gary Imlach will be travelling the USA to lend insight to a gridiron topic. Plus the latest news and scores.
10.00 Film: Pascali's Island. On an island in the Dodecanese in the last days of Ottoman rule, a Turkish spy becomes entangled with a British confidence trickster. Starring Ben Kingsley and Charles Dance (1988).
11.55 The Street.
12.25 Fontamara. (English subtitles).
1.20 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-
ANGLIA:
12.30 Farming Diary. 12.55 Anglia News. 1.10 Goals Galore. 1.35 Future Cop. (TVM 1976) 3.00 Highway to Heaven. 6.35 Anglia News.
BORDER:
12.30 Gardening Time. 1.10 An Invitation to Remember. 1.40 Family Theatre. 2.35 Highway to Heaven. 3.30 The Birth of Rugby. 5.00 Scotsport. 6.35 Border News. 11.35 Prisoner: Cell Block H.
CENTRAL:
12.30 Gardening Time. 12.55 Central News 1.10 Red Nine. 1.45 Airplanes, Men and Memories. 6.35 Central News
CHANNEL:
12.30 Reflections. 12.35 Les Francais Chez-Vous. 12.50 Tele-Journal. 1.10 County Cricket Special. 1.50 The First of the Few. (1942) 6.35 Channel News. 11.35 The Human Factor.
GRAMPIAN:
10.45 Interbang! 11.15 Let's Rejoice. 11.45 Link. 12.30 Jack Thompson Down Under. 12.55 Grampian Headlines. 1.10 Coronation Street. 2.05 Seven Nights in Japan. (1976) 5.00 Scotsport. 6.35 Grampian Headlines. 11.35 Prisoner: Cell Block H.
GRANADA:
12.25 Young Up Front. 12.55 Granada News Headlines. 1.10 Political Lives. 1.40 Sandokan the Great. (1963) 3.50 Cartoon. 5.30 Coronation Street. 6.35 Granada News. 11.35 Prisoner: Cell Block H.
HTV:
12.30 West Country Farming. 12.55 HTV News. 1.10 Heidi. 2.00 HTV Newsweek. 2.30 Silent Dust. (1947) 6.35 HTV News.
HTV Wales as HTV except:
12.30 Portrait of the Wild. 2.00 West Country Farming.
SCOTTISH:
10.45 Glen Michael's Cartoon Cavalcade. 11.15 Link. 11.30 Sunday Service. 12.30 Right or Wrong. 12.55 Scotland Today. 1.10 McCloud. 2.05 Simla. 3.05 The Big Fish. 5.00 Scotsport. 6.35 Scotland Today 9.30 Scottish Weather.
TSW:
12.30 TSW Farming Week. 12.55 TSW News 1.10 The Middle Years. 1.15 Yangtze Adventure. 2.15 Coronation Street. 3.10 The A-Team. 6.00 Bullseye. 6.35 TSW News. 11.35 Prisoner: Cell Block H.
TVS:
12.30 TVS News. 12.33 Jack Thompson Down Under. 12.58 TVS Weather. 1.10 County Cricket Special. 1.50 The First of the Few. (1942) 6.35 TVS News. 11.35 The Human Factor.
TYNE TEES:
12.25 National Aerobic Championship. 12.55 Regional News. 1.10 Highway to Heaven. 2.10 The Back Page. 2.40 Asterix and Cleopatra. (1968) 6.00 Bullseye. 6.35 Regional News. 11.35 Prisoner: Cell Block H.
ULSTER:
12.30 Gardening Time. 12.55 Ulster Newstime 1.10 Some of Our Airmen are No Longer Missing. 2.20 The Home Countries Triathlon Championships. 3.20 Race Ireland. 5.30 Coronation Street. 6.35 Ulster Newstime 9.30 Ulster Sports Results. 11.35 Prisoner: Cell Block H.
YORKSHIRE:
12.25 Goals on Sunday. 12.55 Calendar News and Weather 1.10 Cartoon Time. 1.20 Red Nine. 1.50 The First of the Few. (1942) 5.00 International Athletics. 6.00 Bullseye. 6.35 Calendar News

RADIO

SATURDAY

BBC RADIO 2
6.00 Graham Knight. 8.05 Ronnie Hilton. 9.30 Brian Matthew. 10.00 Anne Robinson. 12.00 Gerald Harper. 1.30 Bob Holness Requests the Pleasure. 2.00 Ed Stewart. 4.00 Kenny Ball. 4.30 Barbershop Style. 5.00 Cinema 2. 5.30 Music By Bronislau Kaper. 6.00 Country Meets Folk. 7.00 Beat the Record. 7.30 Sounds of the Sixties in Concert. 8.30 Easy Does It. 10.00 The 139th British Open Brass Band Championships. 11.00 The Arts Programme. 12.45 Brian Matthew. 1.00 Colin Berry. 3.00 A Little Night Music. 4.00 David Allan.

BBC RADIO 3
6.55 Weather and News Headlines.
7.00 Morning Concert.
8.30 News.
8.35 Mozart.
9.30 (FM only from 10.25am) Saturday Review.
10.30 (MW) Cricket Special.
12.00 (FM) Table Talk.
1.00 (FM) News.
1.05 (FM) Montserrat Caballe.
2.40 (FM) Interval.
2.55 (FM) La Gioconda.
4.15 (FM) Bridge and Britten.
5.00 (FM) Jazz Record Requests.
5.45 (FM) Third Opinion.
6.30 (FM only until 7.30pm) Vermeer String Quartet.
7.00 Proms 1991.
9.00 Lyrics.
10.10 Malia Halkowska plays Szymanowski.
11.05 BBC Symphony Orchestra.
12.00 News.
12.05 Close.

BBC RADIO 4
6.00 News.
6.10 Farming Week.
6.50 Prayer for the Day.
6.55 Weather.
7.00 Today.
8.58 Weather.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 News; Loose Ends.
11.00 News; Conference Special.
11.30 From Our Own Correspondent.
12.00 End of a Line.
12.25 The News Quiz.
12.55 Weather.
1.00 News.
1.10 Any Questions?
2.00 News; Any Answers?
2.30 Saturday Playhouse.
4.00 The Living World.
4.30 Science Now.
5.00 Singular Scots.
5.25 On the Hour.
5.55 Weather.
6.00 News; Sports Round-up.
6.25 Keillor and Company.
7.10 In the Psychiatrist's Chair.
7.45 Classic Serial.
8.45 Kaleidoscope.
9.15 Music in Mind.
9.50 Ten to Ten.
9.59 Weather.
10.00 News.
10.15 The Gardening Quiz.
10.45 Upsetting the Applecart.
11.00 The Tingle Factor.
11.30 The Harpoon.
12.00 News; Interlude.
12.43 (FM) Close.
12.43 (MW) As World Service.

BBC RADIO 5
6.00 News and 24 Hours.
6.30 Morning Edition.
9.00 On Your Marks.
12.00 News followed by Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport On 5.
6.00 Sports Report.
7.30 The Power Session.
11.00 Sport.
11.15 Fanshawe on Five.
12.00 Sport.
12.15 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:
6.00 Newsdesk. 6.30 Londres Matin: News in French. 6.59 Weather. 7.00 Newsdesk. 7.30 Meridian. 8.00 World News. 8.09 Twenty-Four Hours - live; News Summary. 8.30 From The Weeklies. 8.45 English Songsmiths. 9.00 World News. 9.09 Words Of Faith. 9.15 A Jolly Good Show. 10.00 World News. 10.05 Waveguide. 10.15 *Worldbrief. 10.30 Personal* View. 10.45 Sports Roundup. 11.00 News Summary. 11.01 Here's Humph! 11.15 Club 648. 11.30 Londres Midi: News in French. 11.45 Mittagsmagazin: News in German. 11.59 Weather. 12.00 Newsdesk. 12.30 Meridian. 1.00 World News. 1.09 News About Britain. 1.15 Multitrack 3. 1.45 Sports Round-up. 2.00 News Hour. 3.00 News Summary. 3.01 Sportsworld. 4.00 World News. 4.15 BBC English. 4.30 News and Features in German. 4.59 Travel News. 5.00 World and British News. 5.15 BBC English. 5.30 Londres Soir: News and features in French. 6.14 Letter from America. 6.29 News summary. 6.30 Heute Aktuell: News in German. 7.00 German features. 7.54 News in German. 8.00 World News. 8.05 Write On. 8.15 Londres Derniere: News in French. 8.30 Letterbox. 8.45 From The Weeklies. 9.00 World News. 9.09 Personal View. 9.25 Words Of Faith. 9.30 *Meridian.* 10.00 Newshour. 11.00 World News. 11.05 Short Story: Fountain. 11.20 Jazz for the Asking. 11.50 Sports Round-up. 12.00 World News. 12.05 Words Of Faith. 12.10 Book Choice. 12.15 A Jolly Good Show. 1.00 Newsdesk. 1.30 The Ken Bruce Show. 2.00 News summary. 2.01 Play of the Week: How I Got That Story. 3.00 Newsdesk. 3.30 It's The Law. 4.00 World News. 4.09 News about Britain. 4.15 From Our Own Correspondent.

SUNDAY

BBC RADIO 2
6.00 Graham Knight. 7.30 Don Maclean. 9.05 Richard Baker. 11.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 The Beautiful Ballad Years. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Music in Trust. 8.00 Cantabile at the Mill. 8.30 Sunday Half-Hour. 9.00 Alan Keith. 10.00 Carreras, Domingo, Pavarotti. 12.05 Seven Deadly Singsongs. 1.00 Night Ride. 3.00 A Little Night Music. 4.00 Steve Madden.

BBC RADIO 3
7.00 Morning Concert.
8.30 News.
8.35 Maestro de' Concerti.
9.15 Violin bel Canto.
10.15 Prom Talk.
10.45 A Modest Profession.
12.40 Replay.
1.00 News.
1.05 Your Concert Choice.
2.30 Handel.
3.00 Proms 1991.
4.30 Poet of the Month.
4.40 Andras Schiff.
5.00 Tuning Up.
6.00 The North German Organ.
6.55 Rostov String Quartet.
8.00 Proms 1991.
10.05 Sunday Play.
11.35 Nocturne, Hymn and Postlude.
12.00 News
12.05 Close.

BBC RADIO 4
6.00 News.
6.10 Prelude.
6.30 News: Morning Has Broken.
6.55 Weather.
7.00 News.
7.10 Sunday Papers.
7.15 The Living World.
7.40 Sunday.
8.50 The Week's Good Cause.
8.55 Weather.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
12.55 Weather.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 The Shape of Things to Come.
4.00 News: Arthur - The King.
4.47 Time for Verse.
5.00 News: Coastline.
5.40 Tales of a Dragon Watcher.
5.50 Shipping Forecast.
6.00 News.
6.15 Feedback.
6.30 Murder Most Foul.
7.00 In Business.
7.30 A Good Read.
8.00 Punters.
8.40 Reading Aloud.
9.00 News: Enquire Within.
9.15 The Natural History Programme.
9.59 Weather
10.00 News.
10.15 Kissing Frogs.
11.00 Antony Hopkins Talking About Music.
11.30 Seeds of Faith.
12.00 News and Weather; *Interlude.*
12.43 (FM) Close.
12.43 (LW) As World Service

BBC RADIO 5
6.00 World News and 24 Hours.
6.30 Meridian Reports.
7.00 Newsdesk.
7.30 Sunday Edition.
9.00 Johnnie Walker.
10.30 Waterlines.
11.00 News and Sport: Business on the Move.
11.30 Motoring Madness.
12.00 News and Sport.
12.03 Open University.
2.00 News and Sport; Sunday Sport.
6.00 Sunday Sports Report.
7.20 Open University.
9.00 Soundprint.
9.30 Dragnet.
10.00 Sport.
10.10 Across the Line.
12.00 Sport.
12.10 Close.

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CHESS

LLOYDS BANK'S international open often features newsworthy surprises. Usually they occur when some schoolboy beats a grandmaster, as in 1981 when Korchnoi was the victim. Last year's pre-tournament launch game with giant pieces at Marble Arch turned serious when its six-year-old contestant set a world age record by trouncing a US master.

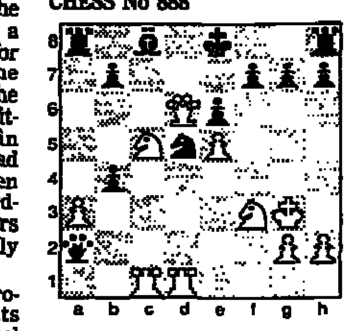
Lloyds Bank 1991 was peaceful for a couple of rounds, then came the Moscow coup. Bewildered Soviet contestants gave their views on Gorbachev and glasnost for News at Ten. The Cumberland Hotel donated a chessboard chocolate cake for the USSR players when the coup ended, but some of the Balts declined to eat it on political grounds. Alexei Suetin revealed that Boris Yeltsin had provided a chess centre, open daily, for the city of Sverdlovsk. His British listeners reflected that London's only such centre had just closed.

One day after Latvia proclaimed independence, its chess players made a virtual sweep of the top awards at Lloyds Bank. Alexei Shirov, 19, won the £2,000 first prize with 8/10, half a point ahead of two other Latvians and Britain's Michael Adams. A Latvian took the women's trophy.

Shirov has improved so fast that calculations after Lloyds Bank already put him in the world top six. The tall blond teenager has the air of a future challenger to Kasparov. He often stares out into the audience when it is his turn to move, then suddenly crouches over the board and calculates with manic energy. Between moves, he strolls round the hall with a preoccupied smile.

Shirov will be in Britain in December for the Foreign & Colonial Hastings congress, and it will not surprise me if he is Kasparov's opponent in the 1996 world title match.

CHESS No 888



A Shabalov (Latvia) v K Arkell (England), Lloyds Bank 1991. Alex Shabalov is hardly known internationally, but he shared second prize and won elegantly from this diagram. What was White's winning move?

Solution Page XVIII

Leonard Barden

BRIDGE

WHEN everything in the garden seems to be lovely, the expert looks for possible danger, and if such danger exists, takes appropriate precautions, but in this hand from rubber bridge the declarer did not remove his rose-tinted glasses:

	N	
	♠ A 9 6 2	
	♥ A J 4	
	♦ K 10	
	♣ A 6 4 3	
W		E
♠ 5		♠ 8 4
♥ 10 9 8 6		♥ K Q 7 3 2
♦ Q 8 7 2		♦ J 9 6 5 4
♣ K 10 8 7		♣ 2
	S	
	♠ K Q J 10 7 3	
	♥ 5	
	♦ A 3	
	♣ Q J 9 5	

With both sides vulnerable North dealt, and started with one no trump, South replied with three spades, and North rebid four clubs, accepting spades and showing his ace. South made a cue-bid of four diamonds, North said four hearts, and South's six spades closed an excellent auction.

When West opened with the heart 10, won by dummy's ace, declarer was happy with what he saw. Six spades, one heart, two diamonds, and three clubs would give him 12 tricks. He drew trumps with king and queen, and led the club queen. West's king covered, and the ace won, but when a low club was returned, East showed out, and South had to concede two clubs. An expert declarer realises that clubs may break 4-1, and expert technique lands the slam.

At trick two declarer ruffs a heart, draws trumps with king and ace, and ruffs another heart, and cashes king and ace of diamonds. With both the red suits eliminated, South plays his club queen, West covers, and is allowed to hold the trick. He must return a club into South's tenace, or concede a ruff discard.

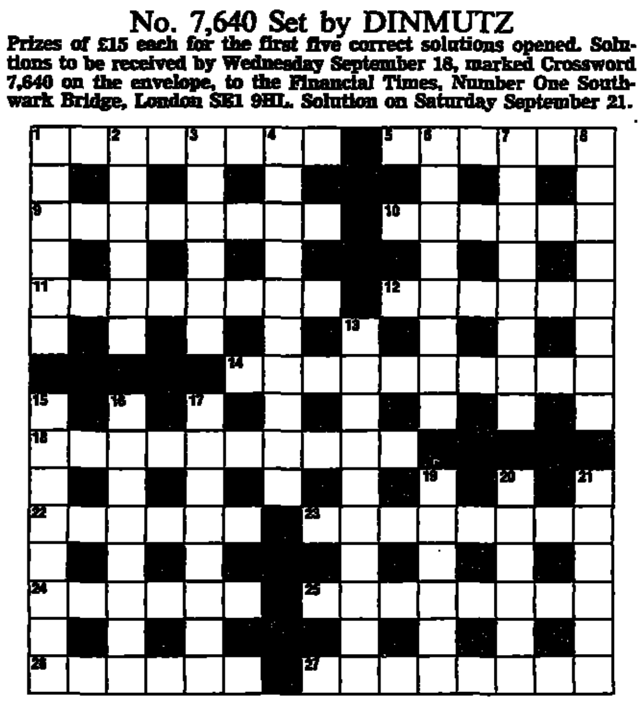
"Very convenient" you say with just the hint of a sneer, "East may hold the four clubs." No problem. East must return a club, and South plays his nine. If West beats it, the suit is breaking, declarer wins with dummy's ace, and claims.

E.P.C Cotter

CROSSWORD

No. 7,640 Set by DINMUTZ

Prizes of £15 each for the first five correct solutions opened. Solutions to be received by Wednesday September 18, marked Crossword 7,640 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday September 21.



Name...

Address...

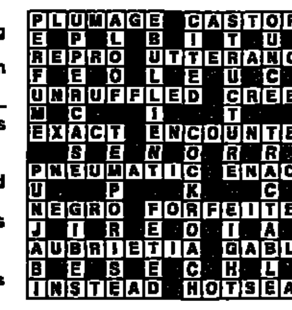
ACROSS

1 Dismissed a representative for dangerous gas? (8)
5 Plate for a pirate-leader (6)
9 Precipitation of painter in plummet (8)
10 Bell in Paris ~ home of monster in church (6)
11 Picture unlikely to come from Landseer? (8)
12 German statesman burning wood on square (6)
14 Course warning – keep in crew's quarters (10)
18 Disliking foreigners' phone-box, perhaps take first-class return (10)
22 Fruit from Ohio mountains (6)
23 Right to include game and potatoes in this style (8)
24 Some protection for climber's first purchase (3-3)
25 Plainchant vespers (8)
26 Refuse in town centres is thrown around (6)
27 Merrily, it greets the working-girl in France (8)

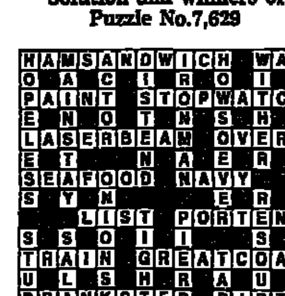
DOWN

1 Set for trip in the woods (6)
2 Blood-factor in a long end of a nose (6)
3 Tarnish a bunch of keys (6)
4 Sheridan's character so upset, in an inappropriate manner (10)
6 Harry has LA litter problem! (3-5)
7 Caesar's third act, with tiny change, in this neighbourhood (8)
8 Green not in order for the X-ray man (6)
13 Note motorway thrill following south-east (10)
15 Shipper and one-time doorman (8)
16 But will they fit a slyboots? (8)
17 Small telescope to keep an eye on a schooner, for example (3-5)
19 Complains about alcoholic drinks around hospital (6)
20 French horn set perhaps to accompany? (6)
21 British bird of prey and hare-hunter (6)

Solution to Puzzle No.7,639



Solution and winners of Puzzle No.7,629



B. Clare, Rickerby, Cumbria; Miss K. Farrer, Parkstone, Dorset; W.T. Osborn, Newport, Gwent; P. and H. Shovlar, Brightwell-cum-Sotwel, Wallingford, Oxon; Mrs E. Wood, Holmer, Hereford.

Warning: advertising can make you ill

***Dominic Lawson** looks at the logic behind avant garde marketing*

DOES advertising kill? The European Commission clearly thinks so, for it is attempting to promulgate a law which would ban all advertising and promotion by cigarette companies throughout the European Community. The Commission's argument is that such advertising induces people to smoke, or smoke more, and that this in turn will kill said people or a fair number of them.

Naturally, cigarette companies are up in lungs over this, complaining of infringement of trade, free information and all other good things.

Last week, I was button-holed by the head of one of these companies, a genial and shrewd man who smokes large quantities of his business's products and, I have to say, looks very well on it. He explained to me that the European Commission's idea was a great nonsense because his advertisements, and those of his rivals, didn't actually lead to people smoking more cigarettes. This surprised me, so I asked why he bothered to advertise.

Because the others did, he said, and it was important for his brands to be equally in the public eye. But surely, I went on, if the European Commission has its sanctimonious way, then he and all of his rivals would be equally banished from our hoardings, so none would gain an advantage, none would lose sales, and all would have hundreds of millions of extra pounds to give back to shareholders in dividends.

"Oh, no", he replied wearily, "we'd just find worse uses for the money than advertisements." I suppose by that he meant diversification into non-cigarette activities and he is probably right at that.

I am sure that the cigarette boss was right in one of his other paradoxical remarks: that the advertising the cigarette companies push out doesn't actually make people smoke more. It is all cryptic to an absurd degree, perhaps because the Advertising Standards Authority insists that it be so. Some of this, like the Silk Cut advertisements, is elegant and clever but the only advertising catch-phrase discernible is the hardly-enticing "cigarettes can seriously damage your health."

But what motives does a company like Benetton have for its equally obscure and now withdrawn campaign of giant posters of a new-born baby, complete with umbilical cord and associated gore? I wouldn't have censured the advertisement myself, just as I'm sure the ASA would not have done if the advertisement was for an appropriately worthy cause, such as Birthright.

Offence was taken not at the picture itself but at the fact that it was being used for profit. We have many more financial prudes in Britain than sexual prudes.

I don't believe the advertisement would have been any more successful at putting Benetton sweaters on people's backs than artistic cigarette ads make people smoke more.

In the UK, advertisers specialise in such work, producing television campaigns which baffle the public, excite the pundits, win prizes at film festivals and ensure that the director's name gets well enough known for him to do what he really wants: make obscure, shocking feature films in Hollywood.

The advertising company knows that the managing director of the client, for all his skill at personnel management and his degrees from business schools, has no feel for what advertisement will appeal to the public. So the poor man is putty in the hands of the agency, which wants to make its own name rather than that of its client.

It is different in the US, where pretentious attempts at avant-gardism never, but never, get in the way of pushing the product. There is an advertisement running on US television which shows a couple dancing around a ballroom, he with obvious discomfort. Then, a voice booms "Do you have haemorrhoids? Take X for fast relief."

No; advertising doesn't kill. But sometimes it makes you want to curl up and die.

■ *Dominic Lawson is editor of the Spectator.*

Private View

The eagle of Elm Street

***Christian Tyler** meets Barbara Mills, scourge of the swindlers, on her first anniversary as head of the Serious Fraud Office*

THE OPENING sequence of *Fraudbusters* goes like this. We are on the top floor of a modern office with shatter-proof windows. We hear distant theme music. The camera pans down a conference table, stopping at each pile of documents before focusing on the face behind it: first a burly young man (clearly a policeman, and black, just like in the American crime soaps), then a foxy-faced accountant, a languid lawyer, a rumpled computer boffin.

Finally, we reach the head of the table. We see slim fingers riffling papers and on each finger a shapely, blood-red nail. Freeze.

Actually, *Fraudbusters* has not been made yet. But when the TV moguls approach me I shall have no hesitation (Equity permitting) in casting Barbara Mills, QC, in the lead.

Why shouldn't Nature sometimes imitate Art? Mrs Mills, director of the Serious Fraud Office, in Elm Street, London, for exactly one year, is perfect for the part. Her sandy hair is coiffed, her attitude demure and a touch schoolmistressy, her voice light and upper class. Behind a pair of enormous glasses the eyes suggest she is a humorous, jolly sort. Her occasional smile is sudden and dazzling.

In the canteen below I imagine a team of investigators, fresh from a dawn raid in the City of London, referring to her with mixed reverence and affection as "Her Nibs", or "Old eagle-eyes".

Fraudbusters would bulge with dramatic contrast between the no-nonsense public Mills and the jokey and passionate private one. Unfortunately, this is real life and the SFO director refuses point-blank – well, nearly point-blank – to talk about herself. The self-confident barrister who was Number Two for the prosecution in the first Guinness trial points out that she is a civil servant now, and that is the rules.

But she has extra cause to be wary. Her businessman husband, John, a Labour councillor in Camden, has in the past been convicted for breaches of trading standards and seen two of his companies go bust. When I asked his wife if that was not embarrassing, she snapped: "That's an old story".

Mills has made some tough speeches about the duty of professional people to blow the whistle when they suspect fraud. In conversation, she is careful not to point the finger. I asked her: Are you suggesting there are a lot more crooks in the professions these days?

"I don't say that. What I do say is that there are a number of them. It's a small number but tremendously damaging in my view to the professionals themselves.

"If you cannot have confidence in the honesty of a professional, that really does rock the whole foundation of financial trust."

The director of the SFO is not, of course, allowed to discuss publicly cases such as the Bank of Credit and Commerce International. I mentioned the apparent failure of auditors to spot holes in their clients' accounts.

"You are getting a number of cases where there seems to be a clean bill of health given by the auditors and then fairly shortly thereafter things go wrong. I don't know what the problem is, in the sense that I am not an accountant. But I am sure that sometimes the problem is that the client doesn't want to tell the auditors the whole truth. It is very difficult, then, as I understand it, for the auditors to get behind that sort of problem."

I get the impression from your speeches that you feel the world is a bit cosy, and relations between companies and their auditors . . .

"Are a bit too close . . .?"

Yes.

"I don't know, it is thing which I have thought about and talked to a lot of accountants about, because I am cautious about treading into someone else's territory."

What about business ethics generally? I quoted the view of one banker friend that the arrival of American and other foreign finance houses, and the consequent competitive pressures, had undermined moral standards in the City. Can you detect evidence of that?

"I don't think I can. And I don't like attributing moral decline and so on. There is always a tendency for older people to feel that the younger generation is not as good as they were.

"There have been City frauds dating back to the South Sea Bubble. They come and they go. There is a slight tendency to hark back to the halcyon Golden Age when a gentleman's word was his bond. I'm not sure that the Golden Age ever really existed."

The apparent increase in fraud might be explained by the fact that more dubious deals were being referred to the police, she said. Again, the recession was exposing some of the investor frauds as victims' funds dried up. Computer technology, while helping the fraudster, was also helping the sleuths. For example, she said, "our people can now tell whether a disc is accidentally wiped or deliberately wiped."

Do you think that tighter regulation has a perverse effect on people's attitude to financial crime – that they say to themselves 'If the rules don't expressly forbid it, then it's OK'?

"Yes. I do get concerned if people get carried away by a rule book. I prefer the general principles approach. It sounds prissy, but it's actually a pretty good test when you're in a tight corner. Would you mind the people you work with, people who have respect for you, knowing what you've done? Forget the rule book."

I hoped at this point that Mills would show me the woman behind the functionary. Yes, I said. But a conscience, a sense of right and wrong is something you learn as a child, is it not?

"I agree, I think a lot has to do with your upbringing."

Were you brought up with a strong sense of right and wrong.

"I really don't know. I have always minded about things being fair and just and reasonable."

Were you brought up in a strict . . .

"Not particularly. Sorry, I'm not talking about my background."

What about your family, I read that your husband and daughter are labour councillors. Do you have political views?

"I'm sorry, I'm simply not talking about my family."

Are you Labour too?

"Sorry, I'm not talking about it. I'm a civil servant. I'm talking to you because I do this job." I persisted and she relented a little. "Obviously I'm interested in politics but I am not a political person. I vote, like everyone else. I'm interested in the same way that I'm interested in financial affairs, in foreign affairs. I'm prepared to talk about what it is like being a woman in a man's world, though I feel it's corny stuff, but not about my family."

(All this was said quite pleasantly, without the haughty air I have found in some senior women civil servants).

I *am* going to ask you about being a woman because we're not so sophisticated in Britain yet that it ceases to be a matter of interest. You've had four children. How did you decide to have both a family and a career?

"As far as I was concerned I have always been treated as an intellectual equal until I left university, and it never occurred to me that I would be treated in any other way. I married very young – very happily – and I think it was never an issue that I wasn't going to do what I wanted to do, which was to be a barrister.

"What I would say is that it is quite hard physically, as well as a quite tough, demanding job mentally. I thoroughly enjoy having the best of all worlds. So really I think I am very lucky. I spent a lot of time with the children when I wasn't working, and always at weekends. We are still a very close family."

Why was it physically so tough?

"Because you are on the go for such a long period of time, [she had her four children in the first eight years] deprived of sleep and still having to do the best for your clients the next morning. It can be quite a strain."

It is said that women are constitutionally tougher than men. I asked whether they also had a different, maybe tougher, approach to the law.

Mills said she didn't think so.

You have been described as more persistent than brilliant. Would you agree with that?

She looked miffed. "I never claimed to be brilliant. But I had a reasonably good academic career. I think I'm pretty practical and that's one of the things that attracted me to doing fraud."

There were advantages and disadvantages to being a women in what used to be very much a man's club, she said. "You are noticed more, both for good and for evil. Of course if you are no good you are noticed immediately. I don't have this sort of men-women divide. I have lived in a very male world at work for a long time, and I just do not see it that way."

Ashley Ashwood

In *Fraudbusters* our heroine's sex is all-important. In one scene, we hear a grizzled detective opining that just as women make more fearsome terrorists, they also make more fearsome investigators.

The real Mills has something of that reputation. She has been more visible and accessible than her predecessor. But she rejects complaints that under her the SFO engages in "fishing trips", needlessly rocking the share price of quoted companies, or that she is too free with the SFO's special powers to compel potential witnesses to make statements and produce documents.

She would not agree, either, that she is more zealous than a man would be.

The eagle of Elm Street was looking at the wall clock. I got up to go. "Would you like this?", she said, offering me a duplicate tape from the black box that had been recording the interview.

It was a neat touch. I must include it in my TV series.

Postcard from the edge

Michael Thompson-Noel

YOU WILL bear with me, I know, when I say I have lagged behind the pace this week – have found myself as far removed from the cutting edge of journalistic enterprise and innovation as it is possible to be without actually signing up to write sports reports or book reviews or cookery for *The Indescribablyvirtuousandpompous*.

I have floated through the week. Have not been connected. Unable to concentrate. Have even stopped worrying about the price of gold. The reason for all this is that I stand at the brink of an eight-week sabbatical. Indeed, I have started it. Yesterday I flew to Athens. Then to one of the islands. Litmos or Skopgas, something like that.

Somewhere plain and simple that has not been overrun by foreigners or those given to too much gaiety, where someone like me can read a book and enjoy simple food and chat with colourful peasants while the fond Aegean sun and the slow hand of time work restoratively on the crushed and weary body, the tired and trampled psyche of a man – we'd better say it – who *deserves* his sabbatical.

HAWKS & HANDSAWS

I had better tread carefully, for the wracking thought occurs to me that some of you may not receive sabbaticals – may be forced to lurch from year to year revived only by holidays in east Africa or the Alps, your careers, tumultuous though they are, taking on a grey predictability as the years roll by without benefit of something as healing and civilised as a sabbatical.

It's a nice word, isn't it? According to my dictionary, a sabbatical is "a leave, often with pay, granted usually every 7th year (eg to a university teacher)". Yet such is the speed of modern life, and the magnanimity of our employer, that I and my *FT* colleagues are currently entitled to a seven-week sabbatical per five years' sturdy service. Interrogated gently, the powers-that-be tell me that the *FT's* scheme is *so* generous that they might have to curtail it, which is why I dodged off yesterday, to Litmos or Skopgas – up with the pace, at last, if not cleverly out-running it.

There was a time when *FT* journalists setting forth on sabbatical had to have a worthwhile project lined up – an economics course at Harvard, or discovering what is was that made Legal & General tick: something weighty and uplifting, even pioneering. But these are the informal '90s. We are no longer required to have a project though some us, I am proud to say, still treat our sabbaticals with reverence and respect.

There will be no high jinks for me: no gadding to the racecourse or sipping with the Dowager Lady Beaverbrook. Instead, in my rôle as a travel writer, *I am* using my eight weeks (sabbatical plus extra week) for a series of busman's holidays: Greece, Jordan, Libya, Morocco, Estonia, and so on. Then I will write them up. Definitely "e" for effort.

I was filling in my visa forms this week when my assistant, Miss Lee, entered the room.

I explained what I was doing.

"And who will be writing *Hawks & Handsaws* during your protracted absence?" she inquired.

I said: "The ubiquitous Nigel Spivey".

"How deeply wonderful," said Miss Lee, blushing. "But why ubiquitous?"

"Well," I said, "you've only got to pick up a telephone or open a newspaper or attend a cocktail party or go to see the opera with the elephants and there he is, bearing down on you – he must be 7 ft – pumping out charm and classical allusions and capping all your stories – is there anywhere he hasn't been? – and generally basking in a spotlight of attention".

Miss Lee smiled obliquely. "It is true that Nigel is amazingly entertaining and erudite and witty and attractive to women," she said, "but that is no reason for you to damn him with 'ubiquitous'. He speaks well of *you*. And he is right so to do. You have several qualities of which we are all fond".

"Such as?"

"Your naïvety, for a start. Do you know how mesmeric sheer credulousness can be? It is only when your ingenuousness veers into the world of fiction that your friends raise their hands and cry: 'Enough! Enough!'"

"What do you mean?"

"What I mean is that it was perfectly all right to write about our cruise from Monaco to London aboard the *Sea Goddess II*. But why did you have to go and invent that story about me running off to Copenhagen to live with Erik who was in charge of the sea-deck and brought round the bouillon? It wasn't remotely funny. It had no *point*. It was OTT, all my friends said so.

"Or what about Colonel Mike – this ridiculous business of pretending that because you're a Kentucky Colonel your identity has been mixed up with that of an officer in US intelligence, with honorary matching rank in the KGB? God, how unfunny.

"Or what about the Hitler diaries – pretending that you had calculated that the combined odds against the diaries' existence *and* against your finding them were 5.4bn-to-1 and, as such, perfectly acceptable to an adventurer like you?"

I said: "I *was* in Wittenberg. I *did* drive to Dresden. The odds *are* approximately as I stated them".

"Or the column in which you pretended to be offered the editorship of *Harpers & Queen*? Or where you were called to Downing Street to hear John Major's views on UFO's? How shatteringly tedious. The fact is, Michael, you *need* your sabbatical. I expect we shall be in for a memorable eight weeks".

I said: "At least Nigel Spivey won't pretend he's a US colonel".

"He's bright enough," said Miss Lee, *protecting her cub*.

"Think about it, will you? Can you imagine anything more hysterical than *Colonel Nigel?*"

Bacon and eggs at No 10

■ From Page I

women and has given Judith Chaplin, his political adviser as chancellor, the same role in No 10. Another shrewd practical operator, her job is to keep him in touch with his supporters in the country. Together with Sarah Hogg and Nicholas True, a member of the policy unit, she plays a key role in drafting his speeches.

She also seeks to ensure that policies are aligned with politics, that the government directs its efforts towards securing the votes of the working class C2s on which a fourth term may depend. "She watches everything for its political impact. What does it mean for the C2s?", is how a colleague puts it.

Graham Bright, the prime minister's parliamentary private secretary, shares an office with her in Downing Street. He sits in on Cabinet meetings and acts as Major's eyes and ears at Westminster, collecting intelligence and offering soothing words at impromptu gatherings of Tory MPs in the bars and tearooms.

For O'Donnell the Downing Street day starts at 7.15 each morning after a brisk run from his terraced house in Clapham, south London. Like Patten and Sarah Hogg the 38-year-old press secretary is a Roman Catholic, a coincidence that has led the more paranoid among the Thatcherite dispossessed to speak of Papist plots to erase her legacy. He is a passionate soccer fan and an enthusiastic, if less than stylish, batsman in the civil service cricket team.

His break with the traditions of Ingham in the twice daily briefings for political journalists – he skilfully hugs the line between the civil servant's role of promoting government policies while avoiding party politics – mirrors Major's break with Thatcher's cabinet style.

Major, still more concerned than a prime minister should be about criticism in the public prints, brought O'Donnell with him from the Treasury. Now, as another insider, puts it: "Just as Bernard [Ingham] was his mistress's voice so Gus speak's Major's language."

O'Donnell has made mistakes, sometimes appearing too innocent of the politics of political journalism. But no one doubts his ready access to the prime minister, underlined by his presence at meetings of the war cabinet during the Gulf conflict.

There are others with influence, though they are not always the same ones who claim it.

Andrew Turnbull, the prime minister's principal private secretary, is a member of the Treasury Mafia. At 46 he is one of the brightest of Whitehall's mandarins, with a judgment much respected by Major. Another grammar school boy, he lists in *Who's Who* Tottenham Hotspur rather than the Garrick or the Reform as his club. He worked for Thatcher but like Robin Butler, the cabinet secretary, was always careful to play by civil service rules.

Others have survived the transition. Sir Percy Craddock, Thatcher's foreign policy adviser, has played a crucial role in advising Major both on events in the Soviet Union and in securing Britain's rapprochement with Beijing.

Outside Downing Street, Mellor is one of the most frequent recipients of the Sunday morning phone calls. A personal friendship forged when they were both prospective candidates in the late 1970s has developed into a close political alliance. The ebullient, sometimes arrogant, 42-year-old chief secretary to the Treasury has none of the natural diffidence of his prime minister. But they share an instinctive concern to shave off the rougher edges of Thatcherism.

Francis Maude, another Treasury minister and an ambitious star of the Tory right, is among the prime minister's favourites in the middle ranks of the government. Maude has been charged with ensuring that the promises of the Citizen's Charter are translated into action.

Major consults also outside the immediate circles. Norman Fowler, who stepped down from Thatcher's cabinet 18 months ago, is a valued source of political commonsense. Fowler is expected to act as Major's personal "minder" during the general election campaign. Norman Tebbit, the former party chairman, and Lord Waddington, leader of the Lords, win similar respect, as does Terence Higgins, the chairman of the Commons backbench Treasury committee.

Among personal friends, Jeffrey Archer, the politician turned novelist and a neighbour in Cambridgeshire, is a regular visitor to both Downing Street and Major's Huntingdon home. Archer, a fellow sports fanatic, was for years the prime minister's host for Test matches at Lords. He now campaigns as tirelessly in the constituencies for her successor as he once did for Thatcher.

High profile: John Major visiting China this week

Not all these interlocking relationships work smoothly. There have been times when the advisers have appeared to reinforce rather than dispel the prime minister's image as a politician who prefers greys to blacks and whites.

There have been occasions also when no-one has felt close enough to the prime minister to give him unwelcome advice: to tell him directly that, whatever his instincts, he needs to be more ambitious in the rhetoric of his speeches, more professional in their delivery. Earlier this year more than one of his closest advisers agonised for days over whether to tell him that he should clear up the apparent confusion over his school education record.

Major, though, has begun to assemble his own cast, and like him they are growing into their jobs. In the minutes after his election as party leader he turned to a colleague with the comment: "We've won. The party is ours now". It is now clear what he meant.